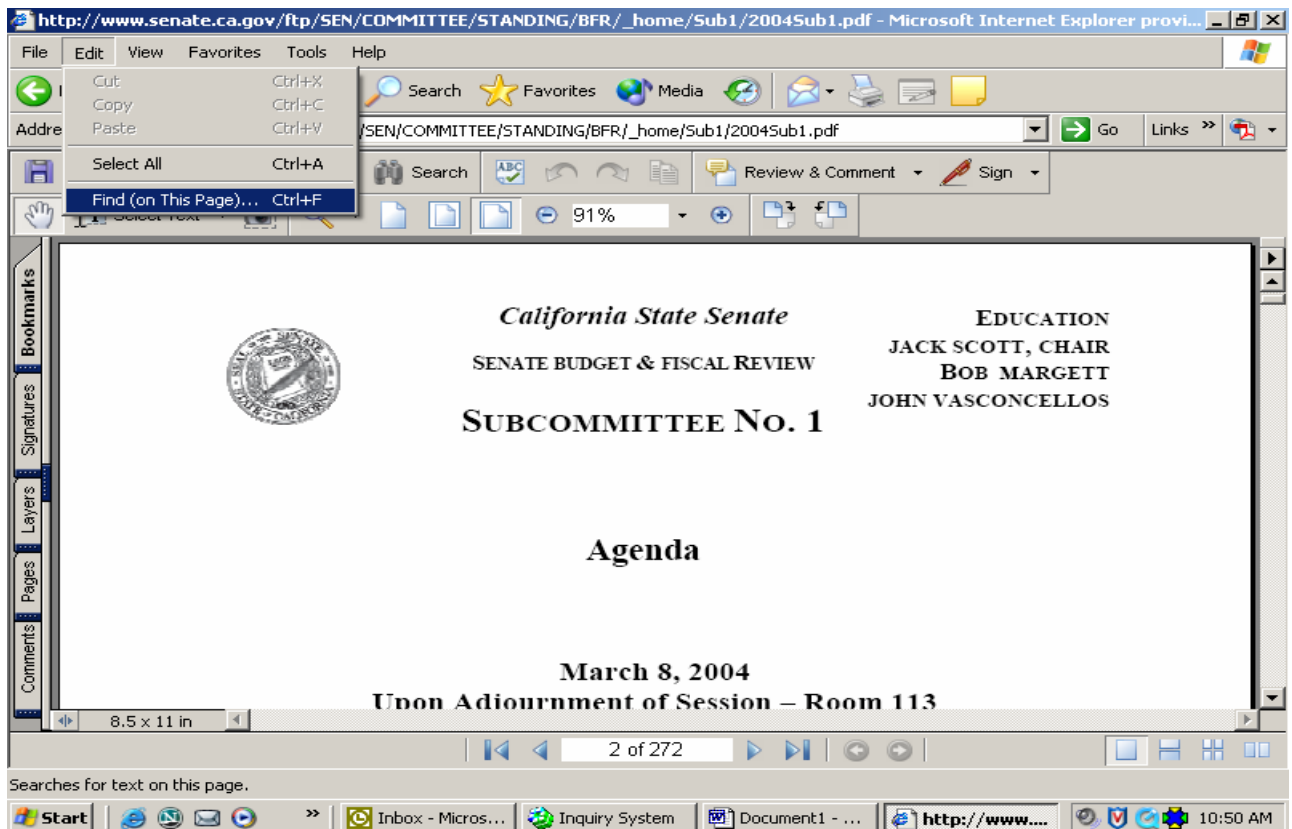




## Senate Budget and Fiscal Review

# Subcommittee No. 2 2005 Agendas

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## SUBCOMMITTEE NO. 2

## Agenda

Sheila Kuehl, Chair  
Bob Dutton  
Alan Lowenthal



Monday, March 14, 2005  
3:30 pm  
Room 112

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### Resources—Environmental Protection—Energy

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## Consent Calendar

### 3110 Special Resources Programs

**Background.** The Special Resources Programs include the following three programs:

- **Tahoe Regional Planning Agency (TRPA).** The TRPA was established by a congressionally approved compact between California and Nevada. The TRPA provides planning and enforceable regulations that preserve and enhance the environment and resources of the Lake Tahoe Basin. Funding for the agency is shared between Nevada (one-third) and California (two-thirds) according to the compact that established the agency.
- **Yosemite Foundation Program.** This program funds restoration and preservation projects in Yosemite National Park. Funding for this program is provided from proceeds of personalized motor vehicle license plates sold by the Department of Motor Vehicles.
- **Sea Grant Program.** This program encourages research and education in the fields of marine resources and technology. This state Sea Grant Program provides state assistance to the University of California and University of Southern California that is used to match funds for selected projects under the federal Sea Grant Program.

**Governor's Budget.** The Governor's budget proposes \$4.7 million for three special resources programs. The majority of the funding is from special funds. This is a slight increase from the current year due to proposed salary increases and computer upgrades for the Tahoe Regional Planning Agency.

#### Summary of Expenditures

(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Type of Expenditure</b>				
Tahoe Regional Planning Agency	\$3,355	\$3,638	\$283	8.4
Yosemite Foundation Program	840	840	0	0.0
Sea Grant Program	200	205	5	2.5
<b>Total</b>	<b>\$4,395</b>	<b>\$4,683</b>	<b>\$288</b>	<b>6.6</b>

#### Funding Source

Special Funds	\$4,271	\$4,559	\$288	6.7
Budget Act Total	4,271	4,559	288	6.7
Harbors and Watercraft Revolving Fund	124	124	0	0.0
<b>Total</b>	<b>\$4,395</b>	<b>\$4,683</b>	<b>\$288</b>	<b>6.6</b>

**Budget Change Proposals.** The administration submitted the following two budget change proposal for the Tahoe Regional Planning Agency:

- \$176,000 from the Environmental License Plate Fund for an 8 percent increase in salaries to keep pace with other state agency salary increases made over the last several years.
- \$107,000 from the Environmental License Plate Fund for updating desktop computers, (hardware and software), central storage, and record digitizing capabilities. The last update to desktops occurred in 1998. Approximately \$55,625 is being sought from the State of Nevada to cover its share of the upgrade.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the three special resources programs as budgeted.

## 3780 Native American Heritage Commission

**Background.** The Native American Heritage Commission (NAHC) preserves and protects California Native American cultures. The commission's powers and duties include identifying and cataloging important geographic sites, helping Native Americans gain access to these sites, protecting burial and sacred sites, and ensuring that remains are treated appropriately. The commission also works to mitigate the negative impacts of development on the state's Native American cultural resources.

**Governor's Budget.** The Governor's budget provides \$537,000 to support the NAHC in the budget year. This is about the same level as estimated for expenditure in the current year.

### Summary of Expenditures

(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Type of Expenditure</b>				
Native American Heritage	\$541	\$545	\$4	0.7
Unallocated Reduction	0	-8	-8	0.0
<b>Total</b>	<b>\$541</b>	<b>\$537</b>	<b>-\$4</b>	<b>-0.7</b>

### Funding Source

General Fund	\$536	\$532	-\$4	-0.7
Budget Act Total	536	532	-4	-0.7
Reimbursements	5	5	0	0.0
<b>Total</b>	<b>\$541</b>	<b>\$537</b>	<b>-\$4</b>	<b>-0.7</b>

**Budget Change Proposals.** No budget proposals were submitted for the commission.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the commission as budgeted.

## 7300 Agricultural Labor Relations Board

**Background.** The Agricultural Labor Relations Board (ALRB) is responsible for conducting secret ballot elections to determine collective bargaining representation in agriculture and for investigating and resolving unfair labor practice disputes.

**Governor's Budget.** The Governor's budget proposes \$4.9 million to support the ALRB in the budget year. This is about the same level of funding as estimated for expenditure in the current year.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Type of Expenditure</b>				
Board Administration	\$2,139	\$2,144	\$5	0.2
General Counsel Administration	2,827	2,836	9	0.3
Administration Services	253	255	2	0.8
less distributed administration	-253	-255	-2	0.0
Unallocated Reduction	0	-76	-76	0.0
<b>Total</b>	<b>\$4,966</b>	<b>\$4,904</b>	<b>-\$62</b>	<b>-1.2</b>
<b>Funding Source</b>				
General Fund	\$4,966	\$4,904	-\$62	-1.2
Budget Act Total	4,966	4,904	-62	-1.2
Reimbursements	0	0	0	0.0
<b>Total</b>	<b>\$4,966</b>	<b>\$4,904</b>	<b>-\$62</b>	<b>-1.2</b>

**Budget Change Proposals.** No budget change proposals have been submitted for this board.

**Staff Recommendation.** Staff recommends the Subcommittee approve the board as budgeted.

## 0540 Secretary for Resources

**Background.** The Secretary for Resources heads the Resources Agency. The secretary is responsible for overseeing and coordinating the activities of the departments, commissions, conservancies, and other boards and authorities that make up the Resources Agency.

**Governor's Budget.** The Governor's budget proposes \$58 million to support the Secretary for Resources in the budget year. This is approximately 20 percent less than the estimated level of expenditures in 2004-05. This is primarily due to the reduced level of bond funds available for appropriation. The General Fund does not support the Secretary for Resources.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Type of Expenditure</b>				
Administration	\$72,423	\$58,062	-\$14,361	-19.8
Total	\$72,423	\$58,062	-\$14,361	-19.8
<b>Funding Source</b>				
General Fund	\$0	\$0	\$0	0.0
Special Funds	12,750	3,069	-9,681	-75.9
Bond Funds	58,890	54,288	-4,602	-7.8
<i>Budget Act Total</i>	<i>71,640</i>	<i>57,357</i>	<i>-14,283</i>	<i>-19.9</i>
Federal Trust Fund	269	184	-85	-31.6
Reimbursements	515	521	6	1.2
Total	\$72,424	\$58,062	-\$14,362	-19.8

### 1. River Parkways Program

**Background.** Legislation was enacted as part of the 2004-05 budget trailer bill (SB 1107) that provides the administration with guidelines for awarding the River Parkways grants. This bill also provided \$10 million in Proposition 50 bond funds for River Parkway grants for 2004-05.

This action was consistent with a recommendation by the LAO in its 2003-04 Analysis recommending that the Legislature adopt legislation that defined the River Parkway program.

**Governor's Budget.** The administration proposes to appropriate \$38.35 million in bond funds (\$30.5 million Proposition 50, \$7.85 million Proposition 40) for River Parkway grants for 2005-06. The Proposition 40 grant funds are proposed to be allocated as opportunity grants by the Secretary, which means that these grants will not be allocated through a competitive process. The

remainder of Proposition 50 funds are planned to be allocated through a competitive solicitation process.

The administration plans on releasing draft guidelines by the end of March and will hold public meetings to review these guidelines in April. The administration plans on doing its first solicitation this summer and evaluating proposals in the fall.

**Draft Guidelines Needed for Legislative Oversight.** Since the draft guidelines have not been released, it is impossible to determine whether the administration has followed current law in developing the new River Parkways program. It is also unclear why it has taken the administration over eight months to develop guidelines without public comment.

**Transparent Process for All Grants.** The administration is proposing that \$7.85 million (21 percent) of the grant funds be allocated as opportunity grants. Opportunity grants provide the Secretary with more flexibility in making acquisitions that may become available at short notice. The administration has not provided information about whether they plan on complying with the guidelines set forth in statute for opportunity grant purchases. It is also unclear how the administration plans on communicating its justification for making opportunity acquisitions, which is critical to keeping the process transparent to the public. It is also critical that the competitive grant processes be constructed so that the allocation process is transparent to the public.

**Staff Recommendation.** Delete bond funding proposed for the River Parkways program until the Legislature has received and reviewed the draft guidelines for the River Parkway grant program to ensure they provide for a transparent awards process and are consistent with current law.

## 2. Sierra Nevada Cascade Grant Program

**Background.** Legislation was enacted as part of the 2004-05 budget trailer bill (SB 1107) that provides the administration with guidelines for awarding Sierra Nevada Cascade grants. This bill also provided \$4.15 million in Proposition 50 bond funds for River Parkway grants for 2004-05.

This action was consistent with a recommendation by the LAO in its 2003-04 Analysis that recommended that the Legislature adopt legislation that defined the Sierra Nevada Cascade grant program.

**Governor's Budget.** The administration proposes \$11.65 million Proposition 50 bond funds for Sierra Nevada Cascade grants for 2005-06. The grants are proposed for competitive solicitation.

The administration plans to release draft guidelines this summer and will hold public meetings during the late summer. The administration plans on putting out its first solicitation for grants in the fall of 2005. In evaluating the grant proposals, the administration will require that all proposals within the boundaries of the Sierra Nevada Conservancy have a letter of support from the conservancy. The administration has indicated that the geographic area eligible for grant funds under the Secretary's Sierra Nevada Cascade grant program is larger than the boundaries

of the Sierra Nevada Conservancy. Senate committee analyses of the legislation establishing the Sierra Nevada Conservancy make findings contrary to the administration. However, the differences between the two regions are very small.

**Draft Guidelines Needed for Legislative Oversight.** As with the River Parkways program, draft guidelines have not been released and it is impossible to determine whether the administration has followed current law in developing the new Sierra Nevada Cascade grant program. The administration intends to sequence the Sierra Nevada Cascade grant program on a later timeline in order to get more input from the new Sierra Nevada Conservancy.

**Transparent and Coordinated Process Needed for Grants.** As with the River Parkways program, it is critical that the competitive grant processes proposed are constructed so that the allocation process is transparent to the public. The administration has not provided information on how it plans on making the grant solicitation transparent.

Also, the administration proposal to coordinate with the new Sierra Nevada Conservancy does not address the prioritization of projects to be funded. The Sierra Nevada Conservancy will have a long-term land conservation presence in the region and should have more input into how the bond funds are allocated within its region. The LAO recommends adopting supplemental report language to address the coordination issues between the Resources Agency and the Sierra Nevada Conservancy.

**Staff Recommendation.** Delete bond funding proposed for the Sierra Nevada Cascade grant program in 2005-06 unless the administration can provide draft guidelines consistent with current law and demonstrate that the grants will be allocated through a transparent awards process that is sufficiently coordinated with the new Sierra Nevada Conservancy.

## 3855 Sierra Nevada Conservancy

### 3. Sierra Nevada Conservancy Start Up

**Background.** Legislation was enacted in 2004 (AB 2600) to create a new Sierra Nevada Conservancy to provide a vehicle for increasing and coordinating state and federal investments in the Sierra Nevada region. The region contains the mountains and the foothills of the Sierra Nevada range and certain adjoining areas, including Mono Basin, the Owens Valley and part of the southern Cascade region. The jurisdiction covers all or portions of 22 counties from Shasta and Modoc counties in the north to Kern County in the south. Six geographic sub-regions have been defined within the conservancy boundaries.

The board of directors of the conservancy includes: the Resources Secretary, the Director of Finance, three public members appointed by the Governor, one public member appointed by Senate Rules, one member appointed by the Speaker of the Assembly, and six county supervisors (one from each region). The conservancy is restricted from acquiring fee title to land.



**Governor's Budget.** The administration has proposed \$3.6 million for start-up activities for the Sierra Nevada Conservancy (\$3.4 million ELPF and \$200,000 Reimbursements). The administration indicates that the primary activities proposed for the conservancy in 2005-06 are program guideline development and the review of grant projects to be funded by the Secretary of Resources.

Approximately \$2.6 million is proposed for operating expenses and equipment, including \$960,000 for program guideline development and \$629,000 for communications and data processing. The guideline development funding will be used to employ consultants to provide expert advice regarding existing resource management information, as well as to fund an extensive public workshop process for gaining additional information from each of the six sub-regions. The communications and data processing funding will be used for the development of a website, development of geographic information systems (GIS), and conferencing equipment.

Approximately \$948,000 is proposed for staff costs associated with 20.5 personnel years.

The board of directors of the Sierra Nevada Conservancy is scheduled to meet for the first time in April. Very little has been done to start up the conservancy in the current year aside from naming the board members. The administration has not provided information about how it is funding start up activities in the current year.

**Guideline Development Funding Seems High.** The administration is proposing nearly \$1 million for program guideline development, which does not include staff costs or other costs associated with communications and data processing support. This seems high even though the strategic program planning process set up by the legislation requires meetings and workshops in each sub-region to set up program objectives and priorities in each sub-region. The administration has no information on what specific activities the \$1 million proposed for guideline development will support.

**Who Analyzes the Grant Proposals?** The administration indicates that the review of grant projects will be one of its two major focuses in the budget year. The administration has indicated that it will require a letter of support from the conservancy in order for an applicant to be considered for grant funds from the Sierra Nevada Cascade Grant program. However, the information supporting the budget request for the Sierra Nevada Conservancy asserts that the conservancy would recommend to the Resources Secretary what projects should be funded by the grant program. It is not clear who will be analyzing the grant proposals submitted for the grant program. Information from the administration seems to suggest that grant proposals would be analyzed twice, once at the conservancy and once at the Resources Secretary. This process needs to be clarified to see whether appropriate bond funds should be shifted to the conservancy in order to support evaluation activities related to the grant program at the conservancy.

**Some Start-Up Costs Are One-Time.** The LAO has indicated that approximately \$1.2 million of the \$3.6 million start-up funds support one-time activities that should not be built into the base funding for the conservancy. Specifically, the LAO has identified \$567,000 proposed for guideline development and \$586,000 proposed for equipment purchases that should be

considered one-time costs. The LAO recommends adopting budget bill language to limit the guideline development funding to two years and the equipment funding to one year.

**Staff Recommendation.** Staff recommends holding this issue open until further information is provided by the administration regarding the following:

- Specific cost allocations for tasks related to guideline development.
- Information on how the conservancy and the grant program at the Secretary's office will be coordinated, including specific tasks required by each entity.

## 4. Removal of Hetch Hetchy Dam—Informational Item

**Background.** In November, 2004, Assemblymember Lois Wolk held a policy briefing on the potential for restoration of the Hetch Hetchy Valley. As a result of this briefing, a letter was transmitted to the Secretary of Resources requesting that the administration survey the studies recently completed regarding the feasibility of removing the Hetch Hetchy Dam. In response to this query, the administration agreed to conduct a review of these studies.

**Questions.** The Secretary for Resources should provide information on the following items:

- What is the status of this study?
- When will the final report be completed?
- What resources are being used to fund this activity? If redirected, from what activities?

## 5. Resource Management

**Background.** Over the past several years, five major resources bonds have been approved by the voters. These bonds provided significant resources for land acquisition purposes and the state's land holdings have increased over the past several years. Despite the increase in state park land, habitat, and open space, there have been significant reductions in the funding available to manage these properties. This is a big problem for the Department of Parks and Recreation, the Department of Fish and Game, and some of the regional conservancies (some conservancies do not acquire fee title to land).

**Conservation Easements.** The state has not only purchased fee title to land with the bond funds allocated over the last several years, but has also purchased conservation easements from willing sellers. For example, the recently approved Hearst Ranch acquisition was composed mainly of a conservation easement with the state purchasing only a small portion of the total land that was part of the deal. Conservation easements have also been used exclusively in the Department of Conservation's farmland conservation program, where the state purchases the landowner's rights to develop the property or significantly change the conservation values embodied by the property when the easement is sold.

Conservation easements can reduce the amount of land that the state owns for habitat and open space, which could reduce the ongoing resource management costs to the state. However, this type of arrangement is not feasible for the state parks system where public access is the central focus for land acquisition.

Also there are relatively few statutory guidelines for conservation easements and it is not always clear that the conservation values embodied in the land when the conservation easement is purchased will be sustained in perpetuity. In most cases, there is relatively little state oversight over whether the landowner is managing the land in a manner that is in compliance with the conservation easement.

**Potential Funding Sources.** The state has a considerable ongoing funding gap related to resource management of its existing properties. The General Fund is an appropriate funding source since resource management consists of taking care of the state's public trust resources. The General Fund has historically been the funding source for resource management and, due to the budget reductions, funding has been reduced significantly as compared to other areas of the resources budget. Generally, bond funds cannot be utilized to support ongoing maintenance efforts because these efforts do not meet capital improvement standards. The Environmental License Plate Fund has been used for resource management activities, but this funding source is not adequate to address all of the state's resource management needs. Other special funds have also been used to fund resource management activities, but most are extremely limited in what they can fund based on restrictions on the fund.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt supplemental report language to require the Office of the Secretary for Resources to prepare an options report for increasing funding for the state's resource management activities.

## 6. California Environmental Quality Act Equivalent Programs

**Background.** Recent legislation (SB 1393, Kuehl) required that the Secretary for Resources develop a protocol to evaluate California Environmental Quality Act (CEQA) equivalent certified regulatory programs. These programs are designated by the Secretary for Resources as functionally equivalent to CEQA and are not required to complete the required Environmental Impact Reports under CEQA.

The administration submitted a protocol to the Legislature in July 2004 that included some suggestions to improve the certification process and give the Secretary express authority to de-certify programs that fail to meet the criteria for the certified regulatory programs. However, the administration's report did not evaluate whether the state's current certified regulatory programs are consistent with the new protocol.

**Protocol is First Step.** A protocol for evaluating certified regulatory programs is a first step in evaluating the adequacy of the state's current certified regulatory programs. It is impossible to determine whether the state's current programs are equivalent to CEQA without evaluating each individual program using the newly developed protocol. It is important to periodically evaluate the certified regulatory programs to assure that they are meeting environmental protection objectives that are equivalent to CEQA.

**Staff Recommendation.** Staff recommends that the Subcommittee direct staff, the LAO and the office of the Secretary for Resources to develop trailer bill language that requires the office of the Secretary of Resources to evaluate three certified regulatory programs annually to ensure they are, in fact, CEQA equivalent.

## 7. California Ocean Protection Council

**Background.** Recent legislation (SB 1319, Burton) enacted the California Ocean Protection Act with the goal of creating better coordination among state agencies that oversee protection of coastal and marine waters. The act creates an Ocean Protection Council that is required to report to the Governor and Legislature on changes in law and policy needed to meet goals related to ocean and coastal protection.

**Governor's Budget.** A \$1.2 million proposal has been submitted by the State Coastal Conservancy to fund start-up costs for the Ocean Protection Council. The administration recently indicated that the proposal submitted as part of the Governor's January 10 budget was incorrect. The administration proposes to hold the first meeting of the council on March 21. The meeting will cover information on the administration's ocean action plan implementation, ongoing state stewardship of ocean resources, and specific priorities for action.

**Justification for Funding Inadequate.** Without a justification for the expenditures proposed to support the Ocean Protection Council, it is not possible for the Legislature to evaluate the administration's implementation plans for the council. The administration should provide additional information about how it proposes to expend the proposed \$1.2 million, including what roles individual departments will play in implementation of the council. Information should also be provided regarding how the administration plans on implementing ocean projects, especially if the tidelands oil revenues allocated in the 2004-05 budget are not realized by the state.

**Staff Recommendation.** Staff recommends that the Subcommittee withhold action on the funding for the Ocean Protection Act until a new proposal justifying the proposal has been submitted and evaluated by the Legislature.

## 8. California Coastal Impact Assistance Program

**Governor's Budget.** The Governor's budget proposes to extend the liquidation period for federal grants appropriated in 2002 to complete 30 coastal projects to mitigate outer-continental oil and gas production. Approximately, \$10 million is for state projects and \$5.4 million is for county projects.

**Staff Recommendation.** Staff recommends that the Subcommittee approve extension of the liquidation period so that projects funded by the Coastal Impact Assistance Program can continue.

## 3560 State Lands Commission

**Background.** The State Lands Commission (SLC) is responsible for the management of lands that the state has received from the federal government. These lands total more than four million acres and include tide and submerged lands, swamp and overflow lands, the beds of navigable waterways, and vacant state school lands.

**Governor's Budget.** The Governor's budget proposes \$24 million for SLC in 2005-06, which is about the same level of funding estimated for expenditure in the current year.

### Summary of Expenditures

(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Type of Expenditure</b>				
Mineral Research Management	\$6,112	\$6,819	\$707	11.6
Land Management	\$8,432	8,271	-161	-1.9
Marine Facilities Division	8,475	8,557	82	1.0
Executive and Administration	3,149	3,214	65	2.1
less distributed administration	-3,149	-3,214	-65	0.0
Unallocated Reduction	0	-137	-137	0.0
<b>Total</b>	<b>\$23,019</b>	<b>\$23,510</b>	<b>\$491</b>	<b>2.1</b>
<b>Funding Source</b>				
General Fund	\$9,094	\$8,801	-\$293	-3.2
Special Funds	10,186	10,897	711	7.0
Budget Act Total	19,280	19,698	418	2.2
Land Bank Fund	421	426	5	1.2
Reimbursements	3,318	3,386	68	2.0
<b>Total</b>	<b>\$23,019</b>	<b>\$23,510</b>	<b>\$491</b>	<b>2.1</b>

## 1. Environmental Review of Liquefied Natural Gas and Marine Oil Terminal Applications

**Background.** The commission is currently reviewing applications for construction and operation of three liquefied natural gas (LNG) ports off the coast of Ventura, Santa Barbara, and San Diego counties. The commission expects to receive three additional applications for new marine oil terminals (MOT) in state waters over the next six months. In addition to the LNG applications

and the forthcoming MOT applications, the SLC has 14 pending applications for MOT and other energy activities in state waters.

Liquefied Natural Gas proposals are some of the most complex applications received by the SLC for environmental review. Furthermore, LNG applications are subject to curtailed review requirements outlined in the federal Deepwater Port Act. The federal Deepwater Port Act requires a joint Environmental Impact Report (EIR)/Environmental Impact Statement (EIS) to be completed on LNG applications within 365 days of receiving the application. If the requirements are not met, the U.S. Coast Guard will not consider the project. The joint EIR/EIS must be provided to the Governor by the 311<sup>th</sup> day for acceptance or rejection. If the Governor approves the application, the environmental documents along with a land lease application must be brought before the SLC. Applications for new MOT are not subject to the shortened timeline prescribed by the federal Deepwater Port Act.

**Governor's Budget.** The administration is proposing \$114,000 from General Fund reimbursements to extend the term of one limited-term environmental scientist to support the increased workload of the SLC's environmental review activities. The SLC has three positions (including the requested limited-term position) providing environmental review of applications received by SLC.

**Questions.** The Secretary of Resources and the Executive Officer of the State Lands Commission should answer the following questions:

- How will the administration provide justification that all CEQA requirements are met on LNG applications given the shortened timeline required by the federal Deepwater Port Act?
- Does the SLC have a process for involving public input as it prepares the EIR/EIS documents?
- How does the SLC coordinate with the California Energy Commission and the California Public Utilities Commission regarding the need for facilities being proposed off the coast of California?

**Staff Recommendation.** Staff recommends that the Subcommittee direct the Resources Secretary to provide workload information on the current and projected work required by the state agencies under the Resources Agency in reviewing LNG applications. Information should also be provided regarding the current level of staffing for these activities.

## 2. Tidelands Oil Revenues

**Background.** During the 2004 budget negotiations, legislative staff found that the administration's estimates for tidelands oil revenues were far below what was anticipated due to higher than expected oil prices. The Governor proposed to sweep all of the tidelands oil revenues into the General Fund instead of allocating these funds to the resource priorities set in statute. The Legislature enacted a compromise position that shifted some money to the General Fund, but shifted additional revenues to other resource priorities. The 2004-05 budget allocated tidelands oil revenues in the following order:

- \$500,000 to the Marine Life Protection Act;
- \$165 million to the General Fund;

- \$10 million to ocean projects and \$2.7 million to parks projects in the City of Los Angeles;
- \$6.5 million for salmon and steelhead restoration;
- \$1.5 million for environmental review of stream flow requirements on mid-California coastal streams; and
- \$4 million for fish hatchery operations.

Thus far, tidelands oil revenues that have been received have covered only the \$500,000 for the Marine Life Protection Act and \$126 million to the General Fund. The other allocations have not been made because sufficient revenues have not been received.

One reason adequate revenues have not been received stems from a recent court decision allowing the City of Long Beach to keep some of the tidelands oil revenues for future cleanup and abatement costs of oil production in San Pedro Bay. The state had recently won a court case prohibiting the City of Long Beach from redirecting tidelands oil revenues that would flow to the state to an abatement fund. However, another judge has allowed the city to keep the revenues while further appeals proceed. The City of Long Beach currently owes the state around \$80 million in tidelands oil revenues.

**Governor's Budget.** The Governor's budget assumes that the tidelands oil revenues will eventually be transferred to the respective allocations specified in the 2004-05 budget. However, the SLC estimates that monthly revenues will have to average over \$16 million over the next four months to provide adequate funding for all activities (without resolution of Long Beach dispute). Revenues have exceeded \$16 million in four of the seven months in the current year. (Resolution of the Long Beach dispute in the state's favor would provide revenues in excess of what is needed to cover the 2004-05 budget allocations and would provide additional revenues beyond the \$165 million to the General Fund in the current year.)

The administration proposes to suspend current law in the budget year and transfer all of the tidelands oil revenues to the General Fund.

**Current Year Expenditure of Tidelands Oil Revenues Unlikely.** Thus far, no tidelands oil revenues have been allocated to most of the priorities included in the 2004-05 budget. Furthermore, it is unlikely that the issues related to the City of Long Beach abatement account will be resolved in the current year. However, it is still possible that tidelands oil revenues will be adequate in the balance of the current year to provide sufficient funds to cover all of the priorities in the budget year. Nevertheless, it is nearly certain that funds will not be expended in the current year. The Legislature would need to extend the liquidation period for these funds in order to assure that these funds, if allocated in the current year, are available for expenditure in the budget year and beyond, if appropriate.

**Staff Recommendation.** Staff recommends adopting budget bill language to extend the liquidation period for three years for appropriations of tidelands oil revenues in the 2004-05 budget.

### 3. Ballast Water Management Program

**Background.** The Ballast Water Management Program was revised and extended in legislation enacted in 2003 (AB 433, Nation). A \$500 fee is assessed on vessels entering state waters and generates approximately \$3.2 million annually. This program is intended to regulate the release of ballast water within state waters, thereby reducing the introduction of invasive and non-indigenous aquatic species in the state's marine ecosystems. The introduction of invasive species and other bacteria and pathogens from ballast water can negatively impact the environment and the economy and can also pose a threat to the state's drinking supplies.

This legislation requires the commission to take samples from at least 25 percent of arriving vessels and requires the commission, in conjunction with the Department of Fish and Game and the State Water Resources Control Board, to complete several reports that improve the state's ability to regulate and manage the introduction of marine invasive species.

**Governor's Budget.** The budget proposes expenditure of \$1.9 million from the Marine Invasive Species Control Fund for implementation of the Ballast Water Management Program at the SLC. Approximately, \$400,000 of the \$1.9 million is provided to the Board of Equalization for administrative costs associated with collecting the fee. This leaves approximately \$1.5 million at the commission to manage this program.

**Report Overdue.** A report was due to the Legislature on January 31, 2005 that provides a summary of baseline information regarding the ballast water discharged into the state's waters. The report is also required to include information from the commission's monitoring and inspection program, including recommendations to improve the effectiveness of the program, as well as a summary of research completed and in progress on the release of invasive species by vessels. The Committee has not received this report.

**Commission Proposes to Reduce Fee.** The commission is proposing to reduce the fee charged to vessels from \$500 per voyage to \$400 per voyage. The commission indicates that they have had higher than expected compliance with paying the fee and this has allowed them to reduce the fee. However, the Legislature has not received the report that would allow evaluation oversight of the commission's activities relative to implementation of AB 433.

**Staff Recommendation.** Staff recommends that the Subcommittee withhold action on the funding for the Ballast Water Management Program until the overdue report has been submitted and analyzed to ensure that the commission is complying with legislative direction and to appropriately evaluate whether a fee reduction is warranted.

### 4. Oil Spill Prevention and Response Program

**Background.** The SLC implements the Oil Spill Prevention and Response program in conjunction with the Department of Fish and Game. The SLC is provided funding to prevent oil spills in the state's marine waters. This program is funded by a surcharge on every barrel of crude oil or petroleum products sold in the state. Funds are deposited in the Oil Spill Prevention Administration Fund (OSPAF).



**Governor's Budget.** The Governor's budget proposes to expend \$32 million from the OSPAF in the budget year. Approximately, \$9 million is proposed for expenditure by SLC and \$21.5 million by the Department of Fish and Game. The administration is proposing two augmentations to SLC's program for the budget year.

- \$100,000 to monitor oil and gas seeps and develop containment and recovery programs to reduce air emissions and offshore pollution.
- \$499,000 and 4 positions to enable SLC to do comprehensive audits of oil and gas facilities every 3-5 years.

**Recent Report Evaluating Program Submitted.** The administration completed a report in January of 2005 that reviews fiscal and program activities of the Oil Spill Prevention Response program. This report makes recommendations to improve the efficiency and effectiveness of the state's program. This report was required by 2002 legislation (SB 849, Torlakson).

**Budget Proposal Should Be Evaluated in Context of Report Findings.** It does not appear that the budget proposals by the administration were evaluated in the context of the recommendations found in the report. The administration should re-evaluate SLC's budget proposals regarding the Oil Spill Prevention Response program to determine whether they are consistent with improving the effectiveness and efficiency of the program.

**Staff Recommendation.** Staff recommends that the Subcommittee withhold action on the funding for the commission's Oil Spill Prevention and Response program until the administration has reviewed its budget proposals in the context of the January 2005 report findings on the program. This should include a review of both SLC and Department of Fish and Game's activities.

## 3640 Wildlife Conservation Board

**Background.** The Wildlife Conservation Board (WCB) acquires property in order to protect and preserve wildlife and provide fishing, hunting, and recreational access facilities. The WCB is an independent board in the Department of Fish and Game and is composed of the Director of the Department of Fish and Game, the Director of the Department of Finance, and the Chairman of the Fish and Game Commission. In addition, three members of the Senate and three members of the Assembly serve in an advisory capacity to the board.

**Governor's Budget.** The Governor's budget proposes \$29 million for the WCB in 2005-06, which represents more than a 95 percent reduction from the current year. This reduction is due to a significant reduction in the bond funds available for appropriation. General Fund support for this board is \$200,000, which about the same level of funding as in the current year.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Type of Expenditure</b>				
State Operations	\$6,045	\$6,122	\$77	1.3
Capital Outlay	742,417	23,096	-719,321	-96.9
Unallocated Reduction	0	-3	-3	0.0
<b>Total</b>	<b>\$748,462</b>	<b>\$29,215</b>	<b>-\$719,247</b>	<b>-96.1</b>
<b>Funding Source</b>				
General Fund	\$200	\$197	-\$3	-1.5
Special Funds	35,000	6,220	-28,780	-82.2
Bond Funds	698,117	21,798	-676,319	-96.9
Budget Act Total	733,317	28,215	-705,102	-96.2
Reimbursements	10,144	1,000	-9,144	-90.1
Oak Woodlands Conservation Fund	5,000	0	-5,000	-100.0
<b>Total</b>	<b>\$748,461</b>	<b>\$29,215</b>	<b>-\$719,246</b>	<b>-96.1</b>

### 1. Natural Heritage Preservation Tax Credit Program— Informational Item

**Background.** The Natural Heritage Preservation Tax Credit Program was enacted by legislation in 2000 (SB 1647, O'Connell). The program allows a 55 percent credit on the appraised fair market value of the donated property. Under the program, up to \$100 million in tax credits is

authorized for donations of qualified land and water. Due to reduced levels of General Fund available for this program, it was suspended in 2002. However, legislation enacted in 2004 (AB 2722, Laird) amended the program and removed the suspension to allow the lost General Fund revenues resulting from the tax credit to be reimbursed using certain bond funds. To date, \$33.2 million in tax credits have been awarded. Approximately, \$15 million in credits are encumbered to facilitate the Hearst Ranch acquisition. This results in a balance remaining of \$52 million.

**Update.** The board adopted revised guidelines to implement the new tax credit program envisioned by AB 2722 at its January board meeting. The board plans on holding a solicitation under the new program during the spring of 2005.

## 2. Continuously Appropriated Bond Funds—Informational Item

**Background.** Recent bond funds approved by the voters provided WCB with allocations that are continuously appropriated. Therefore, after an initial allocation, they are not part of the board's annual budget appropriations. The following table provides an update on the funds that have been allocated to date and the balance remaining for new acquisitions.

<b>Proposition 50 Bond Funds</b>				
(dollars in thousands)	Appropriated	Allocated	Balance	% Remaining
Statewide - Integrated Watersheds	\$140,000	\$134,697	\$5,303	3.8
Five Southern Counties	250,000	126,681	123,319	49.3
L.A./Ventura Counties	300,000	289,112	10,888	3.6
Bay Area	200,000	159,524	40,476	20.2
Colorado River/Salton Sea	50,000	35,675	14,325	28.6
<b>Total</b>	<b>\$940,000</b>	<b>\$745,689</b>	<b>\$194,311</b>	<b>20.7</b>
<b>Proposition 40 Bond Funds</b>				
Statewide	\$300,000	\$128,608	\$171,392	57.1
Rangeland, Grazing, and Grasslands	19,200	3,793	15,407	80.2
Oak Woodlands	4,800	1,568	3,232	67.3
<b>Total</b>	<b>\$324,000</b>	<b>\$133,969</b>	<b>\$190,031</b>	<b>58.7</b>
<b>Proposition 12 Bond Funds</b>				
Various Projects	\$265,500	\$251,288	\$14,212	5.4
<b>Total</b>	<b>\$265,500</b>	<b>\$251,288</b>	<b>\$14,212</b>	<b>5.4</b>
<b>Grand Total</b>	<b>\$1,529,500</b>	<b>\$1,130,946</b>	<b>\$398,554</b>	<b>26.1</b>

Approximately \$400 million or 26 percent of the total bond funds appropriated are available for expenditure. (Of the remaining Proposition 12 funds, \$4.4 million is dedicated to the Federal Forest Legacy Match Program and \$4.75 million is dedicated to Salton Sea Restoration.)

### 3. Habitat Conservation Fund

**Background.** The Habitat Conservation Fund was created by the Wildlife Protection Act of 1990 which requires that \$30 million be transferred to this fund annually. The funds may be used for the purpose of acquiring, restoring, and enhancing habitat necessary to protect wildlife and plant populations.

**Governor's Budget.** The administration proposes that WCB expend \$21 million in Proposition 50 bond funds to satisfy part of its commitment to HCF. The remaining HCF expenditures are being made by the Department of Parks and Recreation (\$4.5 million), the State Coastal Conservancy (\$4 million), and the California Tahoe Conservancy (\$500,000). The full \$30 million allocation is being satisfied by \$7.6 million from the Cigarette Tax and \$1.3 million from the Renewable Resource Investment Fund.

**Funding Future Allocations to HCF.** The act that created the HCF requires that a General Fund transfer be made to the account unless other sources of funding are available. No General Funds have been allocated since 2002-03. Some bond funds are available to make additional transfers to satisfy this commitment over the next few years. However, the drawing down of available bond funds will shift the funding responsibility for this fund to the General Fund or other funding source in the future unless new bond funds are available.

**Staff Recommendation.** Staff recommends the Subcommittee approve WCB's allocation to the HCF as budgeted.

### 4. Public Access Program

**Background.** The WCB is involved in acquiring, conserving, developing, improving, and providing access to the state's natural resources to accommodate access for those who want to enjoy California's resources. Upgrading facilities to make them compliant with the Americans with Disability Act is also a component of the board's public access program.

**Governor's Budget.** The Governor's budget proposes \$500,000 from the Wildlife Restoration Fund. Revenues to this fund are primarily from private donations and gifts. The administration indicates that it has a backlog of public access projects that totals \$17.4 million.

**Staff Recommendation.** Staff recommends the Subcommittee approve WCB's allocation to its public access program as budgeted.

## 8570 California Department of Food and Agriculture

**Background.** The California Department of Food and Agriculture (CDFA) provides services to both producers and consumers of California's agricultural products in the areas of agricultural protection, agricultural marketing, and support to local fairs. The purpose of the agricultural protection program is to prevent the introduction and establishment of serious plant and animal pests and diseases. The agricultural marketing program promotes California's agricultural products and protects consumers and producers through the enforcement of measurements, standards, and fair pricing practices. Finally, the department provides financial and administrative assistance to county and district fairs.

**Governor's Budget.** The Governor's budget proposes \$318 million to support CDFA in 2005-06. This is approximately \$1.6 million more than the level of expenditures estimated in the current year. This increase is primarily due to new programs to address emerging diseases and laboratory upgrades.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Type of Expenditure</b>				
Agricultural Plant and Animal Health, Pest Prevention, and Food Safety Services	\$148,953	\$155,250	\$6,297	4.2
Marketing and Commodity and Agricultural Services	69,730	71,025	1,295	1.9
Assistance to Fair and County Agricultural Activities	76,606	76,521	-85	-0.1
Capital Outlay	19,652	14,802	-4,850	-24.7
Administration	13,180	14,422	1,242	9.4
<i>less distributed administration</i>	<i>-12,077</i>	<i>-13,237</i>	<i>-1,160</i>	<i>0.0</i>
Unallocated Reduction	0	-1,159	-1,159	0.0
Total	\$316,044	\$317,624	\$1,580	0.5
<b>Funding Source</b>				
General Fund	\$95,977	\$100,062	\$4,085	4.3
Agriculture Fund	112,545	115,734	3,189	2.8
Other Special Funds	48,046	45,321	-2,725	-5.7
Bond Funds	1,000	1,178	178	17.8
<i>Budget Act Total</i>	<i>257,568</i>	<i>262,295</i>	<i>4,727</i>	<i>1.8</i>
Federal Trust Fund	35,295	33,648	-1,647	-4.7
Public Building Construction Fund	12,824	11,203	-1,621	-12.6
Harbors and Watercraft Revolving Fund	1,197	1,241	44	3.7
Reimbursements	9,159	9,237	78	0.9
Total	\$316,043	\$317,624	\$1,581	0.5

## 1. Mediterranean Fruit Fly Preventative Release Program

**Background.** The Mediterranean Fruit Fly (Medfly) Preventative Release program involves raising sterile Medflies and releasing them within high risk areas of the state (currently a 2,500 square mile area in the L.A. basin). These sterile Medflies mate with any wild fertile female flies that have been introduced into the area and curb the reproduction process.

This program protects over 200 different kinds of fruits and vegetables that could be negatively impacted by a Medfly infestation. Since 1980 the state has spent approximately \$150 million from the General Fund to fight the Medfly, including spraying pesticides prior to the development of the sterile Medfly program. The sterile Medfly program has resulted in reducing annual outbreaks from an average of seven to just three per year. The program has proven to be significantly more cost effective and environmentally friendly than spraying pesticides to eradicate infestation of the pest.

The Medflies found in the state are mainly from imported fruits and vegetables and/or human travel from other countries. The department indicates that a DNA tracking system has found that a majority of the Medflies found in the state originate from Central and South America. Medflies are not established in California.

**Governor's Budget.** The administration proposes to establish the Medfly Preventative Release program as a permanent ongoing program with an \$8.1 million General Fund allocation. These state funds are matched with the same level of funding from the federal government. The administration does not propose any industry assessment to support this program.

**Funding Mix History.** Over the past several years there have been ongoing discussions about requiring the industry to pay for a portion of the Medfly program since it directly benefits growers of agricultural products. This would be similar to the program funding for the Pierce's Disease program that targets the Glassy Winged Sharpshooter. In this program grape growers (wine and table) pay an assessment to help fund a portion of the Pierce's Disease program along with funding from the state and federal governments. The administration has suggested that a similar assessment would be difficult for the Medfly program because of the number of commodities benefiting from the program.

**Organization of Agriculture Industry Groups Decentralized.** At present, the CDFA oversees dozens of commodity specific boards that pay assessments for a variety of inspection, research, and marketing programs. Some of the research efforts and pest exclusion efforts of individual boards could provide a wide array of benefits to other state commodities. Currently, assessments on one or two industries may be benefiting other commodities which are making no funding contribution. The decentralization of the agricultural industry boards' activities is likely to result in overlap and duplication of effort in some areas. It seems that current industry assessment funds could be spent more effectively and efficiently if some activities were better coordinated by CDFA for the entire agricultural industry. One example may be the Medfly program.

**Many CDFA Activities Lay Foundation for Healthy California Industry.** Many of CDFA's activities are important to providing a foundation for a healthy California agricultural industry. These activities directly benefit this industry. Therefore, the development of a broad assessment

on the state's agricultural industry in lieu of some of the individual commodity fees may be an appropriate funding mechanism for selected activities at CDFA. However, given the wide variety in assessments and activities carried out by different industry boards it is difficult to assess common activities that would be more effectively managed with an industry wide assessment.

**Staff Recommendation.** Staff recommends the Subcommittee adopt supplemental report language that requires CDFA to do a survey of all of the activities and funding of the various commodity specific boards under its jurisdiction. This type of report would allow the state to identify similar activities being funded by industry assessments that may be more effectively carried out by centralizing efforts at the department.

## 2. Position Management

**Background.** The LAO identified in its 2004-05 Analysis that CDFA's management of its budgeted positions significantly deviated from standard state administrative procedures. About half of CDFA's positions had been created at the discretion of the department and without approval of the Legislature or the Department of Finance. As part of the 2004-05 budget process, trailer bill language was enacted that required the department to conform to standard administrative procedures regarding creating and managing its positions. In addition, the department was required to report to the Legislature by January 10, 2005 on these positions, including providing a description of the workload associated with the positions.

**Governor's Budget.** The department has established all of its positions through the normal state administrative procedures. However, it has not provided a report of the workload associated with the positions it recently established.

**Workload Information Key to Evaluating Positions.** Since about one half of the department's positions were created outside standard state administrative procedures, the department should provide some basic information on the workload being supported by these positions. This information would be similar to information provided when positions are proposed through normal budget change proposals. The LAO recommends withholding action on the Agriculture Fund budget of \$116 million until a completed report is submitted.

**Staff Recommendation.** Staff recommends that the Subcommittee withhold action on the department's Agriculture Fund budget until a completed report has been submitted and evaluated by the Legislature.

## 3. Emerging Threats to Food Supply

**Governor's Budget.** The administration has proposed \$2.7 million General Fund and 17 positions to support activities to address potential terrorist attacks on the state's food supply, as well as emerging viral diseases that affect both animals and humans. The proposal assumes that this is the first step in the development of a larger program and has indicated that full implementation in 2006-07 could cost an additional \$15.9 million from the General Fund.

**Request Fails to Reflect Statewide Strategy.** The request submitted by the department fails to provide information on how its efforts will fit into statewide efforts related to terrorism. The Office of Homeland Security (OHS) and the Department of Health Services have significant programs related to terrorism response and protection, as well as emerging viral diseases. These two departments are also responsible for allocating annual federal homeland security grants. Conversations with the department have indicated that meetings have occurred with the other agencies, but a specific plan that provides for express coordination among agencies has not been submitted.

**Alternative Funding Sources Available.** The LAO has identified that federal homeland security grants are an appropriate funding source for some of the activities being proposed by the department. In addition, the state's Antiterrorism Fund, which is funded from proceeds from the sale of California memorial license plates would also be used for antiterrorism activities. Approximately \$1.8 million is available from this fund for non-OHS activities in the budget year. The department has indicated that they are pursuing federal grant opportunities with other state agencies, but are concerned that there may be limits on how these funds can be spent. They also indicate that these funds cannot be utilized to hire staff.

**Staff Recommendation.** Staff recommends that the Subcommittee direct the Department of Finance to coordinate its proposals related to terrorism protection and emerging viral diseases and resubmit its proposals. The proposal should maximize non-General Fund resources to the maximum extent possible.



# Addendum to March 14 Agenda

## Budget and Fiscal Review Subcommittee No. 2

### 1. CALFED Program

**Background.** At the January 26, 2005 meeting of the Senate Budget Committee, Senator Sheila Kuehl stated that the Governor's plan to wait until the May Revisions to deal with the CALFED financing proposal was unacceptable. This would allow the Subcommittee less than one week to review and respond to the proposal, which would be inadequate given the complexities of such a plan. Furthermore, the Senator stated her intent to eliminate funding for the CALFED program and to start working on a plan that has realistic funding targets and a plan for sustainable funding to support both the user and state shares of the program.

**Staff Recommendation.** Staff recommends that the Subcommittee delete state funding for the CALFED program pending receipt of a workable finance plan that includes realistic ten-year funding targets and sustainable funding from all beneficiaries, as well as the necessary administrative process to implement the finance plan.

The matrix below outlines the funding proposed for elimination from the Governor's 2005-06 budget. This information is based on responses provided by the departments, but will be revised as the Subcommittee works through each of the department's budgets.

If a workable plan is not put forward by April 1, the Subcommittee will determine the level of funding, if any, that would be appropriate for the CALFED program for 2005-06.

Department	General Fund	Other Bonds	Prop 50	Special Funds	Total
Conservation	\$0	\$0	\$3,234	\$96	\$3,330
Forestry and Fire Protection	0	0	154	0	154
Water Resources Control Board	0	6,998	1,317	144	8,459
Bay Conservation & Development Commission	88	0	0	0	88
Fish and Game	878	0	4,650	1,841	7,369
Water Resources	2,402	51,161	141,555	27,164	222,282
Bay-Delta Authority	8,522	0	6,077	5,074	19,673
<b>Grand Total</b>	<b>\$11,890</b>	<b>\$58,159</b>	<b>\$156,987</b>	<b>\$34,319</b>	<b>\$261,355</b>

## SUBCOMMITTEE NO. 2

## Agenda

Sheila Kuehl, Chair  
Bob Dutton  
Alan Lowenthal



Thursday, April 4, 2005  
2 p.m. or Upon Adjournment  
of Environmental Quality  
Room 112

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## 0555 Secretary for Environmental Protection

**Background.** The California Environmental Protection Agency (Cal-EPA) is charged with implementing federal and state environmental quality standards. This is done through regulatory programs and incentive programs that seek to improve the quality of the environment for all Californians. The Cal-EPA is led by the Secretary for Environmental Protection and the agency oversees the following boards, departments, and offices.

### Boards:

- Air Resources Board
- Integrated Waste Management Board
- State Water Resources Control Board  
(including the nine Regional Water Quality Control Boards)

### Departments:

- Department of Pesticide Regulation
- Department of Toxic Substances Control

### Offices:

- Office of Environmental Health Hazard Assessment

**Governor's Budget.** The Governor's budget proposes \$8.5 million to support the Secretary for Environmental Protection. This is approximately the same level of funding that is estimated for expenditure in the current year. General Fund support for this office is proposed to remain about the same as the current year.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Type of Expenditure</b>				
Administration	\$8,347	\$8,549	\$202	2.4
Unallocated Reduction	0	-21	-21	0.0
<b>Total</b>	<b>\$8,347</b>	<b>\$8,528</b>	<b>\$181</b>	<b>2.2</b>
<b>Funding Source</b>				
General Fund	\$1,325	\$1,321	-\$4	-0.3
Special Funds	2,740	3,816	1,076	39.3
<i>Budget Act Total</i>	<i>4,065</i>	<i>5,137</i>	<i>1,072</i>	<i>26.4</i>
Reimbursements	2,021	1,000	-1,021	-50.5
State Water Quality Control Fund	111	117	6	5.4
Environmental Enforcement and Training Account	2,000	2,124	124	6.2
Environmental Education Account	150	150	0	0.0
<b>Total</b>	<b>\$8,347</b>	<b>\$8,528</b>	<b>\$181</b>	<b>2.2</b>

## 1. Cal-EPA Enforcement Initiative

**Background.** In December 2004, the Sacramento Bee reported that no fines or injunctions had been issued on the Hilmar Cheese Factory despite 16 years of violations of state rules protecting groundwater. Late in January, the Central Valley Regional Water Quality Control Board assessed a \$4 million penalty on the factory to address these violations. This incident helped to raise awareness concerning the shortcomings of the state's enforcement activities.

**Cal-EPA Enforcement Initiative.** The Cal-EPA Secretary is currently implementing an enforcement initiative to help improve the state's enforcement efforts. The Secretary has reported that they are working to improve their management of information in order to better prioritize their enforcement activities based on the greatest risk to the environment. The Secretary has also indicated that the following efforts are underway to improve enforcement of the state's environmental laws:

- The nine regional water boards are working on a statewide approach for prioritization of enforcement actions and the State Water Board will be reviewing regional board enforcement activities on an annual basis.
- The Office of the Secretary is developing a centralized agency-wide complaint tracking system.
- The nine regional water boards are transitioning to an electronic data filing system that will enable automated compliance checking and the development of a "compliance report card" for dischargers.
- The Secretary is also re-evaluating the State Water Board's role with respect to enforcement.

The administration also indicates that it has put forward a legislative package to improve enforcement.

**Staff Recommendation.** Staff recommends that the Subcommittee request that the administration report on how it plans to finance its enforcement initiative and to identify specific staffing and funding needed to implement the enforcement initiative effectively.

## 2. Climate Change Activities

**Background.** Over the past 50 years, the Western U.S. has been warming, in large part, apparently, due to global warming trends from increases in the global greenhouse gas effect. Climate models are mixed regarding how this will impact the amount of precipitation the state will receive in the future. However, they all agree that there will be increased variability in our weather patterns and stream levels will increase. These impacts alone will have real effects on the state, including impacts on water supply, wildlife, and public safety.

In the 2004-05 budget trailer bill, the Secretary for Cal-EPA was designated as the lead for the state's climate change activities.

**California Climate Coordinating Council.** The administration has indicated that it has established a California Climate Coordinating Council, chaired by the Secretary of Cal-EPA.

This council has been meeting monthly and has developed “targets” related to addressing climate change. These targets have been submitted to the Governor for review. The administration has also indicated that they are continuing to implement the greenhouse gas emission statute from 2002 (AB 1493, Pavley). The administration is also exploring other options related to reducing greenhouse gas emissions. The state has also joined “The Climate Group,” which is an international collaboration of government and multi-national businesses working on strategies to address climate change.

**Staff Recommendation.** Staff recommends that the Subcommittee direct the Office of the Secretary to report to the subcommittee on the universe of state activities being conducted as part of the California Climate Coordinating Council.

### 3. Reducing Air Emissions by 50 percent by 2010

**Background.** The Governor has set, as one of his goals, reducing air emissions by 50 percent by 2010. In 2004, legislation was enacted to provide approximately \$80 million annually to the Carl Moyer program to help reduce diesel emissions. Legislation also enabled local governments to raise up to \$55 million annually to help reduce emissions. In addition, the state is continuing to implement State Implementation Plans to reduce ozone and particulate matter in federal non-attainment areas in order to comply with federal law.

**Growing Sources of Air Emissions.** Despite efforts to reduce air emissions there are growing sources of air pollution that are not being addressed. Air pollution related to goods movement at our ports is forecast to grow at double digit rates in the future as California’s ports continue to grow in importance as the gateway of imported goods from Asia. In addition, NAFTA now allows for free commercial travel between California and Mexico. The truck fleet from Mexico is significantly older and dirtier than the U.S. fleet and will also result in a growing source of air emissions.

**Staff Recommendation.** Staff recommends that the Subcommittee direct the administration to report back on what they are doing to address the growing sources of emissions cited above.

### 4. Environmental Protection Indicators for California Update—Informational Item

**Background.** The administration created the Environmental Protection Indicators for California (EPIC) Project in 2000-01 to establish and implement a process for developing environmental indicators. Chapter 664, Statutes of 2003 (AB 1360, Steinberg), established this program in law. Environmental indicators are scientifically based tools used to track changes that are taking place in the environment. For example, the “number of days over the state ozone standard” and the “number of coastal beach postings and closings” are environmental indicators that can be used to track environmental progress.

**Governor’s Budget.** The budget does not contain any funds specifically for the EPIC program. However, the Office of Environmental Health Hazard Assessment (OEHHA) has invested a

relatively small level of effort (0.1 personnel-year) in updating a select number of indicators. At the beginning of February 2005, OEHHA released an updated version of 43 indicators. These indicators were chosen because they are supported by already existing ongoing data collection.

Some of the budget change proposals submitted as part of the 2005-06 budget included reference to specific environmental indicators that they addressed.

**Indicators Need Refinement.** A supplemental report of the 2003 budget act required a progress report on the use of indicators in two specified pilot projects. The two pilot projects are the Carl Moyer Program and the Clean Beaches Program. The LAO finds that the progress reports on these two projects reveal that the consideration of indicators in the development and implementation of environmental protection programs has been important in evaluating program effectiveness. Nevertheless, the LAO finds that there has been little application of environmental indicators in the budget development process. The LAO recommends that the administration continue to further refine existing indicators to permit more specificity in the evaluation of environmental outcomes as a result of a particular program. This will enable the administration and the Legislature to utilize these indicators in prioritizing funds in the budget to the most effective programs. The LAO also recommends that the Legislature specify environmental indicators when developing new programs and initiatives so that progress made by new environmental programs can be tracked and measured.

**Questions.**

- What indicators does the administration plan to focus on in the budget year?
- What data gaps exist that prohibit the further development and refinement of additional environmental indicators?

## 5. Cal-EPA Consolidation of Administrative Functions— Informational Item

**Background.** As part of the 2004 trailer bill to the budget, legislation was enacted directing the Secretary of Cal-EPA to consolidate selected administrative functions at all of the boards, departments, and offices within the agency. Functions eligible for consolidation include procuring basic office supplies, information technology, collecting fees, and generic human resources functions that support state personnel. This consolidation was to result in various special fund savings.

**Progress in Consolidation of Administrative Functions.** The administration has indicated that it is working on consolidating procurement of some basic office supplies. The administration has not indicated whether budget savings have been achieved from this consolidation.

**Questions.**

- What activities are currently being pursued to further consolidate administrative functions and reduce costs?
- Are statutory changes needed to enable the administration to facilitate cost-saving measures outlined in the 2004 trailer bill?

## 3900 Air Resources Board

**Background.** The Air Resources Board (ARB), along with 35 local air pollution control and air quality management districts, protects the state's air quality. The local air districts regulate *stationary sources* of pollution and prepare local implementation plans to achieve compliance with federal and state standards. The ARB is responsible primarily for the regulation of *mobile sources* of pollution and for the review of local district programs and plans. The ARB also establishes air quality standards for certain pollutants, administers air pollution research studies, and identifies and controls toxic air pollutants.

**Governor's Budget.** The Governor's budget proposes \$237 million to support the ARB in 2005-06. This proposal is a 42 percent increase from the current year primarily due to the expansion of the Carl Moyer program following legislation enacted in 2004 and augmentations to various air programs to reduce particulate emissions and NAFTA related pollution. General Fund support for ARB remains relatively unchanged in the budget year.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Type of Expenditure</b>				
Mobile Source	\$118,247	\$183,946	\$65,699	55.6
Stationary Source	38,842	42,797	3,955	10.2
Subvention	10,111	10,111	0	0.0
Administration	11,481	11,571	90	0.8
<i>less distributed administration</i>	<i>-11,481</i>	<i>-11,571</i>	<i>-90</i>	<i>0.0</i>
Unallocated Reduction	0	-34	-34	0.0
Total	\$167,200	\$236,820	\$69,620	41.6
<b>Funding Source</b>				
General Fund	\$2,224	\$2,211	-\$13	-0.6
Special Funds	149,201	218,133	68,932	46.2
<i>Budget Act Total</i>	<i>151,425</i>	<i>220,344</i>	<i>68,919</i>	<i>45.5</i>
Federal Trust Fund	11,826	12,006	180	1.5
Reimbursements	3,950	4,470	520	13.2
Total	\$167,201	\$236,820	\$69,619	41.6



## 1. Carl Moyer Air Quality Program

**Background.** The Carl Moyer program has provided a means for reducing NO<sub>x</sub> (nitrogen oxide) emissions and PM (particulate matter) emissions from heavy-duty diesel engines. The program buys near-term emission benefits through a variety of mechanisms, including funding to retrofit equipment and provide funding for alternatives to diesel fuels. Over the program's first six years, the program reduced 18 tons per day of NO<sub>x</sub> and about 1 ton per day of PM at the cost of about \$3,000 per ton of NO<sub>x</sub> reduced. For the most part, the state sets up criteria for the Carl Moyer program and local air districts actually distribute funds based on the cost effectiveness of the projects submitted.

As part of the 2004-05 budget, the Legislature and Governor established an ongoing funding source for the Carl Moyer program. Approximately \$61 million annually was provided for the Carl Moyer program through an increase in the smog check exemption fee. In addition to the fee increase, legislation was implemented that extends from four to six the number of years a new car is exempt from smog check requirements.

In addition, the Legislature also enacted Chapter 707, Statutes of 2004 (AB 923, Frommer) that increased the tire fee to provide additional revenues to support the Carl Moyer program. The tire fee was increased by \$0.75 to \$1.75 per tire until 2007 at which time the fee will be adjusted to \$1.50 per tire. This legislation also expanded the scope of the Carl Moyer program to include more pollutants, different sources of pollution, and new types of projects. This legislation also enabled local air districts to approve \$2 increases to motor vehicle registration fees. These funds would also be used to support the Carl Moyer program and could potentially contribute an additional \$55 million to the program annually.

**Governor's Budget.** The Governor's budget proposes approximately \$25 million funded by the increase in the tire fee (deposited in the Air Pollution Control Fund) to implement AB 923. This includes \$23 million for grants, approximately \$1 million to support 12 new positions, and \$500,000 in contract funds. The additional contract funds are proposed to support public outreach to environmental justice communities and technical assistance. The 12 new positions are requested to develop new programs for agricultural sources, fleet modernization, and to develop criteria for the inclusion of reactive organic gasses and toxic particulate matter into the expanded Carl Moyer program. In addition, the administration proposes to retain 10 percent of the Carl Moyer grant funds for a statewide initiative related to goods movement.

**Timeline for Implementation.** The administration adopted interim guidelines to implement AB 923 in January 2005. These guidelines covered pollutants already covered by the Carl Moyer program. The administration plans on releasing new guidelines for the additional pollutants in November 2005. The ARB is also currently reviewing funding protocols for new agricultural sources (including non-mechanized projects) and fleet modernization.

**Current Year Revenues Not Reflected.** The LAO finds that the budget does not account for the receipt of a projected \$12 million of tire fee revenues that will be collected in the current year to support the Carl Moyer program. The LAO recommends that the administration include a plan for expenditure of the \$12 million in current-year revenues currently unaccounted for in the January budget proposal.

**Staff Recommendation.** Staff recommends that the Subcommittee request that the administration report on its plans for expending the \$12 million in tire fee revenues not accounted for in the budget year.

## 2. Mobile Source Review Program Augmentation

**Background.** The ARB is responsible for developing statewide programs and strategies for reducing the emission of smog-forming pollutants and other toxic air contaminants by mobile sources. These include both on and off-road sources, including passenger cars, motorcycles, trucks, busses, heavy-duty construction equipment, recreational vehicles, marine vessels, lawn and garden equipment, and small utility engines.

**Governor's Budget.** The Governor's budget proposes increasing support for the mobile source review program by \$3.5 million funded by the Air Pollution Control Fund (\$1.7 million), the Motor Vehicle Account (\$1.4 million) and reimbursements (\$444,000). This includes \$1.2 million to support 15 additional positions and \$1.7 million to purchase additional emission analyzer equipment. This augmentation will generally support increased workload associated with the following mobile source review programs:

- **Mobile Source Certification and Testing Upgrades.** This program certifies all new vehicles and engines (both on-road and off-road applications) for emissions compliance. Over the past 10 years, the number of mobile source categories certified by the ARB has doubled due to the inclusion of off-road applications. Three additional positions are requested to address the increase in off-road applications. In addition, two positions are requested to address on-road certification activities to increase the timeliness of the review. In addition, \$1.2 million is proposed to purchase a four wheel drive dynamometer that will allow ARB to test these vehicles to determine compliance with state laws. Also, \$500,000 is proposed to replace an outdated emissions analyzer system in ARB's existing emission analyzing equipment.
- **Vapor Recovery Rule Development and Certification.** The ARB evaluates and tests systems that recover the gasoline vapors generated by fueling vehicles at a service station. In 2000, the board adopted enhanced vapor recovery regulations for underground storage tanks. The board is now working on enhanced vapor recovery regulations for aboveground storage tanks and is requesting two additional positions to support this effort. In addition, the administration is requesting another two positions to continue implementation of the enhanced vapor recovery regulations for underground storage tanks.
- **Small Off-Road Engine Certification.** The ARB regulates emissions from small off-road engines such as lawn, garden, and other maintenance utility equipment. In 2003 new regulations were adopted to control evaporative emissions from these engines during both use and non-use periods. Manufacturing is set to begin complying with new evaporative emission controls in 2006 and will require ARB component and system certification to sell their products in California. One additional position is requested to cover additional workload and prevent delays related to certification and additional equipment is proposed to facilitate testing.

- **Control Measures for Cargo Tanks.** The ARB is responsible for ensuring the reduction of volatile organic compound emissions from gasoline cargo tanks. The ARB committed to pursuing a control strategy in 2003, but regulations are still being developed for this emissions source. Additional support will fund two additional positions to continue work to determine emissions from cargo tank components, study control measures, develop and test procedures, and prepare draft regulations to be implemented by 2009.
- **Portable Equipment Registration Programs.** The ARB has a statewide portable equipment registration program that, once registered, allows portable engines and equipment to operate anywhere in the state. The board amended regulations related to this program in 2004, which resulted in an increase in the number of engines in the program. Additional processing fees collected from these engines fully support an increase of three positions to support additional applications to the program.

**Relationship to the State Implementation Plan (SIP).** Federal clean air laws require areas with unhealthy levels of ozone and particulate matter to have a SIP for reaching national attainment levels by certain dates. Several of these programs proposed for additional funding will result in emission reductions that are needed to meet attainment under the SIP. Specifically, several air districts are counting on emission reductions resulting from the vapor recovery program to reach attainment under the SIP. The increased standards in the small off-road engine program are defined measures in the SIP and reductions related to cargo tanks are also required to meet emission reduction goals in the SIP.

**Staff Recommendation.** No issues have been raised with this request and staff recommends that the Subcommittee approve as budgeted.

### 3. NAFTA – Free Commercial Vehicle Travel

**Background.** On June 7, 2004 the U.S. Supreme Court ruled that a full environmental assessment of the impacts of implementing the transportation provisions of NAFTA was not required. Consequently, free commercial travel will be expanded beyond the current 20 mile commercial zone. An additional 35,000 heavy-duty commercial vehicles are expected to cross into the U.S. from Mexico daily. California's crossings are expected to experience 25 to 40 percent of this increased traffic. Since Mexico's truck fleet is considerably older than the U.S. fleet, this could result in an increase of 50 tons per day of NOx and 2.5 tons per day of PM. These increases were not accounted for as part of the problem when the state developed its state implementation plan (SIP).

**Governor's Budget.** The Governor's budget proposes \$3.7 million from the Motor Vehicle Account (\$2.4 million) and the Air Pollution Control Fund (\$1.3 million) to augment the state's Heavy-Duty Vehicle Inspection Program (HDVIP) enforcement along the California-Mexico border and the Port of Long Beach. This includes \$1.2 million to support 16 new positions, \$750,000 for modification of California Highway Patrol (CHP) border inspection sites, \$600,000 for other one-time equipment purchases, and \$400,000 for a CHP enforcement contract. Positions will be allocated to the following activities:

- **Field Inspection.** Approximately 11 new positions will be allocated to field inspection, which will triple the enforcement presence at the California-Mexico border. Positions will be allocated in the following manner:
  - **Otay Mesa and Calexico Border Crossings** – 4 positions;
  - **Winterhaven California-Arizona Border Crossing** – 2 positions;
  - **Tecate Border Crossing** – 2 positions;
  - **Port of Long Beach** – 2 positions; and
  - **Field Supervisor** – 1 position.
- **Violations.** Three new bilingual positions are proposed to address the projected increase in violations that will require processing. Each violation must be legally served to the registered vehicle owner and monitored for 45 days to ensure it is cleared (penalty paid, vehicle repaired, etc.).
- **Delinquent Citations.** Two new positions are proposed to support additional delinquent citations projected. Currently 90 percent of the border violations become delinquent while only 1 position supports the collection of delinquent citations. In addition to the increased positions, the ARB proposes to increase its contract with CHP by \$400,000 to remove delinquent vehicles from the road.

**Actual Impact of Free Commercial Travel Unknown.** There is very little known about what the real environmental impact will be as a result of allowing free commercial travel between the U.S. and Mexico. Therefore, it is difficult to determine whether the program augmentations requested are adequate in addressing this growing source of pollutants. The Legislature may want to re-evaluate this program after more information is known about the increase in emissions resulting from free commercial travel between the U.S. and Mexico.

**Relationship to the State Implementation Plan (SIP).** The emission increases related to free commercial travel between the U.S. and Mexico were not accounted for when developing the SIP for reaching federal attainment levels by 2015. Without additional action by the state, these increased emissions will make it more difficult for Southern California to meet the attainment level deadlines required by the federal government.

**Federal Government Should Contribute.** Since the emission increases resulting from free commercial travel between the U.S. and Mexico are the result of federal decisions related to NAFTA, the federal government should be required to help fund activities to mitigate the environmental impacts of this decision. The federal government is currently not contributing funds to help address this problem.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal and adopt supplemental reporting language to require the administration to report to the Legislature by January 10, 2006 on the actual increases in emissions resulting from free commercial travel between the U.S. and Mexico. This report should also include information about the level of emission reductions achieved by HDVIP operations along the border and state actions to maximize federal funds available to address the environmental impacts of free commercial travel.

## 4. State Implementation Plan for PM2.5

**Background.** California has the only two areas in the nation that exceed both the federal 24-hour and annual PM2.5 standards. These areas are the South Coast Air Basin and the San Joaquin Valley Air Basin. The state is currently working on state implementation plans to address these non-attainment areas. These plans are due to the U.S. Environmental Protection Agency by the end of January 2008. The federal standards must then be attained between 2010 and 2015. Failure to submit timely plans will result in potential federal sanctions and the loss of billions in federal highway funds.

**Governor's Budget.** The Governor's budget proposes \$8.6 million from the Motor Vehicle Account (\$3 million) and the Air Pollution Control Fund (\$5.6 million). This includes \$1.7 million to support 21 new positions, \$4 million for testing and lab equipment, and \$1.8 million for contracts. The increase in funding will be focused on developing state regulations to control PM2.5 and the development of the State Implementation Plan for PM2.5.

- **State Regulations** – The administration has identified that state regulations need to be developed to reduce diesel exhaust from private long-haul and regional trucking, private off-road construction equipment, and agricultural tractors and other equipment. Other regulatory efforts will include development and implementation of airborne toxic control measures for other particulate toxic air contaminants such as lead and hexavalent chromium. The administration proposes allocating 5 positions for these activities and \$200,000 in contracts for testing and verification of diesel control technologies.
- **State Implementation Plans** – The administration has proposed a three pronged approach to developing the state implementation plan for PM2.5. This includes emissions testing, monitoring, and modeling and data analysis. The administration proposes allocating support for these activities in the following manner:
  - **Emissions Testing** – The administration has proposed funding 12 positions to do emissions testing for PM2.5 and ultra-fine particles from gasoline-powered small engines, light and medium duty gasoline vehicles, and light duty diesel vehicles. Funds to test heavy-duty diesel vehicles were appropriated in previous budgets. In addition, \$3.1 million in equipment is proposed to upgrade equipment that measures PM2.5 size distribution and chemical composition of vehicle emissions. Also, \$1 million in contracts is proposed to fund testing of PM2.5 size distribution and chemical composition of emissions from other non-mobile sources.
  - **Monitoring** – The administration is proposing to allocate 1 position and \$900,000 for equipment to enable ARB to collect and analyze chemical markers for wood smoke. Recent technological advances have enabled improved source identification, including identifying residential wood smoke.
  - **Modeling and Data Analysis** – The administration is proposing to allocate 3 positions and \$600,000 in contract funding to better understand the sources of PM2.5 and develop a strategy for reducing these emissions. The contract funding will support the collection of meteorological data as well as model formulations for allocating and tracking emissions spatially.

**Relationship to the State Implementation Plan (SIP).** It is not clear that these activities are adequate for addressing PM2.5 emissions, especially given the growing sources at the ports and increased NAFTA related commercial travel. Without information on how the state is addressing

these growing concerns, it is difficult to determine whether enough is being done to meet the deadlines for meeting federal air attainment levels.

**Staff Recommendation.** Staff recommends that the Subcommittee approve this budget proposal.

## 3910 Integrated Waste Management Board

**Background.** The California Integrated Waste Management Board (CIWMB), in conjunction with local agencies, is responsible for promoting waste management practices aimed at reducing the amount of waste that is deposited in landfills. The CIWMB administers various programs that promote waste reduction and recycling, with particular programs for waste tire and used oil recycling. The board also regulates landfills through a permitting, inspection, and enforcement program that is mainly carried out by local enforcement agencies that are certified by the board. In addition, CIWMB oversees the cleanup of abandoned solid waste sites.

**Governor's Budget.** The Governor's budget proposes \$190 million to support CIWMB in the budget year. This is approximately 27 percent more than in the current year due to full-year costs associated with the E-Waste Recycling program. The board does not receive any General Fund support.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Type of Expenditure</b>				
Permitting	\$153,836	\$195,072	\$41,236	26.8
Administration	8,835	8,924	89	1.0
<i>less distributed administration</i>	-8,835	-8,924	-89	0.0
<i>less loan repayments</i>	-4,297	-4,667	-370	0.0
<b>Total</b>	<b>\$149,539</b>	<b>\$190,405</b>	<b>\$40,866</b>	<b>27.3</b>
<b>Funding Source</b>				
Special Funds	\$145,961	\$189,711	\$43,750	30.0
Bond Funds	140	142	2	1.4
<i>Budget Act Total</i>	<i>146,101</i>	<i>189,853</i>	<i>43,752</i>	<i>29.9</i>
Special Deposit Fund	3,235	345	-2,890	-89.3
Reimbursements	204	207	3	1.5
<b>Total</b>	<b>\$149,540</b>	<b>\$190,405</b>	<b>\$40,865</b>	<b>27.3</b>

### 1. Implementation of Electronic Waste Recycling Program

**Background.** In order to address the growing problem of electronic waste, the Legislature adopted Chapter 526, Statutes of 2003 (SB 20, Sher), which instituted a comprehensive system for the recycling and safe disposal of certain electronic devices. Subsequent legislation—Chapter

863, Statutes of 2004 (SB 50, Sher)—required the Board of Equalization (BOE) to collect the electronic waste recycling fee.

**Governor's Budget.** The administration proposes converting 6 limited term positions to permanent positions funded by \$476,000 from the E-Waste fund. The total funding proposed for administration of the E-Waste program at the Waste Board is \$1.4 million.

**Total Administrative Costs.** Total administrative costs associated with the E-Waste program are \$8.2 million. This accounts for about 12 percent of the total E-Waste program total revenues. Administrative costs are allocated in the following way:

- Board of Equalization - \$5.7 million
- Waste Board - \$1.4 million
- Department of Toxic Substance Control - \$651,000
- Department of Finance - \$500,000

**Board of Equalization Costs Seem High.** The LAO has raised concerns regarding the cost estimates BOE has proposed for administering the E-Waste fee. The BOE has cited that the number of retailers and the diversity of products covered under this law have led to significant complexity in implementation. Nevertheless, the LAO finds that the BOE's collection efforts for similar fees, such as the tire recycling fee (also collected at the retail level) are considerably lower than the administrative costs proposed here. The LAO has recommended that the board provide backup regarding its cost estimates. This issue will be heard by Budget Subcommittee No. 4, but relates to the overall implementation of the E-Waste program.

**Staff Recommendation.** Since the BOE's budget is under the jurisdiction of Budget Subcommittee No. 4, staff recommends that the Subcommittee direct staff to coordinate on the evaluation of BOE's proposal and appropriate recommendation. Staff also recommends approving the administration's proposal to convert six limited-term positions to permanent positions for ongoing support of the E-Waste program.

## 2. Elimination of the Waste Board

**Background.** The Waste Board has been proposed for elimination in several reorganizations over the past several years. Most recently it was included in the Governor's Reorganization Plan No. 1 (GRP) on reforming California's boards and commissions. (This plan has been retracted by the Governor.) The board consists of six full-time board members. Four of the members are appointed by the Governor, one is appointed by the Senate Committee on Rules, and one is appointed by the Speaker of the Assembly. These members are appointed to staggered four year terms.

**Governor's Budget.** The Governor's budget does not, at this time, propose to eliminate the Waste Board. However, the administration has indicated that it is continuing work on a Cal-EPA reorganization proposal that may be released soon.

**Elimination of the Board.** The LAO recommends the elimination of the Waste Board as part of a proposal to consolidate the state's recycling programs under one Department of Recycling and



Waste Prevention under Cal-EPA (see next budget issue for more information). Furthermore, the LAO recommends transferring remaining functions related to solid waste management at the board to an expanded Department of Toxic Substances Control (DTSC). The LAO cites the following advantages for consolidating the Waste Board's waste management activities with DTSC's activities.

- Enhanced protection of the environment and public health by providing centralized management of toxic substances and solid and hazardous waste.
- Consolidated permitting and enforcement activities would improve the effectiveness and efficiency in licensing businesses seeking landfill permits.
- Further streamlining of the permitting process and adoption of best practices, such as DTSC's requirement that financial assurances associated with permits are reevaluated when permits are renewed.

**Public Participation.** Board structures generally provide a transparent and accessible way for the public to participate in the implementation of state laws. The LAO finds that the Waste Board has provided the opportunity for valuable public input in the review of (1) local jurisdictions progress in reaching waste diversion requirements and (2) the permitting of landfills.

However, the LAO also finds that DTSC has been effective in seeking public input and participation despite its structure as a department. The DTSC public participation specialists hold over 350 meetings, hearings, briefings, and panel discussions annually. The DTSC also produces hundreds of public notices and fact sheets to keep residents informed of their opportunities to get involved in the process. The LAO finds that, in this case, there is sufficient evidence that DTSC's public participation process would be effective for public input related to activities currently handled by the Waste Board.

**Budget Savings.** The LAO estimates that there would be approximately \$2 million in special fund savings from the elimination of the Waste Board. This savings is a result of eliminating board salary, staff, and travel expenses. The LAO estimates that there could be further administrative savings that result from consolidating program activities.

**Staff Recommendation.** Staff recommends that the Subcommittee leave this issue open pending receipt of the reorganization plan from the administration and direct staff to evaluate other potential impacts from eliminating the board.

### 3. Consolidation of Recycling Programs

**Background.** The state's recycling responsibilities are divided between the Department of Conservation's (DOC's) Division of Recycling and the Waste Board. The DOC oversees the beverage container recycling program and the Waste Board oversees all other solid waste and hazardous waste recycling programs.

**Governor's Budget.** The Governor's budget does not propose a reorganization of the state's recycling activities. However, the administration has indicated that it is continuing work on a Cal-EPA reorganization proposal that may be released soon.

**LAO Finds Coordination Could Improve Effectiveness.** The LAO recommends consolidating the state's recycling activities into a new Department of Recycling and Waste Prevention. The LAO cites that there are many missed opportunities related to having two separate entities managing the state's recycling programs. Specifically, the LAO finds that coordination of the state's recycling programs would improve the effectiveness of its efforts related to: public outreach and education, recycled material market development, and general sharing of technical recycling expertise. Examples of how coordination could improve the management of the state's recycling activities include the following:

- The DOC is currently developing a bar and restaurant recycling program for bottles and cans. However, the LAO finds that this effort misses opportunities to develop a more comprehensive strategy for reducing waste from many different sources at restaurants and bars.
- Currently, both DOC and the Waste Board have programs to develop and foster economic markets for similar recycled materials. These programs set funding priorities independently. The LAO finds that the state's efforts may be more effective if the state developed a single set of priorities for recycled market development.
- The LAO finds that the Waste Board could have better capitalized on the expertise of DOC in establishing the state's E-Waste Recycling program. The DOC is very familiar with the flow of payments among parties in the recycling chain that best serves to encourage recycling, while the Waste Board's focus on recycling has generally had a more regulatory approach.

**Staff Recommendation.** Staff recommends that the Subcommittee leave this issue open pending receipt of the reorganization plan from the administration and direct staff to evaluate all impacts from consolidating the state's recycling programs.

## 4. Environmental Education Program

**Background.** The Education and Environment Initiative was created by Chapter 665, Statutes of 2003 (AB 1548, Pavley), which mandated school boards to include environmental principles in their instructional materials. This initiative was started with the enactment of Chapter 926, Statute of 2001 (AB 373, Torlakson), which first established an office in the Waste Board charged with the development and implementation of an environmental education program for elementary and secondary schools in the state. Thus far, the administration has completed the first two phases of the Education and Environment Initiative, which include the development of environmental principles and concepts and the alignment of the environmental principles and concepts to the California Academic Content Standards.

**Governor's Budget.** The administration requests \$3.5 million and 5.5 permanent positions to implement the next two phases of the Education and Environment Initiative. These phases include planning for model curriculum and curriculum development. Of the \$3.5 million requested in the budget year, \$3.3 million is from the Integrated Waste Management Account and \$200,000 is from the Waste Discharge Permit Fund. The administration also proposes to make the appropriation of these funds contingent on the enactment of clean-up legislation that

would repeal the mandate on school boards to include environmental principles in instructional materials.

**LAO Finds Funding Proposal Needs Diversified.** The Education and Environment Initiative is broad in scope, including curriculum related to the air, water, energy, pest management, forestry and more. Nevertheless, funding for this program is primarily from tipping fees on the disposal of waste at landfills. The LAO finds that the proposed funding mix does not reflect the broad scope proposed to be covered by the Education and Environment Initiative.

**Staff Recommendation.** Staff recommends that the Subcommittee direct staff, the LAO, and the Office of the Secretary at Cal-EPA to develop options for funding this activity from more diversified funding sources.

## 3930 Department of Pesticide Regulation

**Background.** The Department of Pesticide Regulation (DPR) administers programs to protect the public health and the environment from unsafe exposures to pesticides. The department (1) evaluates the public health and environmental impact of pesticides use; (2) regulates, monitors, and controls the sale and use of pesticides in the state; and (3) develops and promotes the use of reduced-risk practices for pest management. The department is funded primarily by an assessment on the sale of pesticides in the state.

**Governor's Budget.** The Governor's budget proposes \$62 million to support DPR in 2005-06, which is approximately the same level of expenditures as in the current year. The department does not receive any General Fund support.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Type of Expenditure</b>				
Registration and Health Evaluation	\$17,126	\$18,117	\$991	5.8
Pest Management and Environmental Activities	42,992	43,780	788	1.8
State-Mandated Local Programs	1	157	156	15600.0
Administration	8,342	8,234	-108	-1.3
<i>less distributed administration</i>	<i>-8,342</i>	<i>-8,234</i>	<i>108</i>	<i>0.0</i>
<b>Total</b>	<b>\$60,119</b>	<b>\$62,054</b>	<b>1,935</b>	<b>3.2</b>
<b>Funding Source</b>				
General Fund	\$1	\$0	-1	-100.0
Special Funds	57,472	59,381	1,909	3.3
<i>Budget Act Total</i>	<i>57,473</i>	<i>59,381</i>	<i>1,908</i>	<i>3.3</i>
Federal Trust Fund	2,167	2,194	27	1.2
Reimbursements	479	479	0	0.0
<b>Total</b>	<b>\$60,119</b>	<b>\$62,054</b>	<b>\$1,935</b>	<b>3.2</b>

### 1. Undercollection of Mill Assessment

**Background.** California assesses a fee on all pesticides (agricultural and nonagricultural) at the point of first sale in the state. This fee is paid either by the pesticide manufacturer, distributor, or

retailer. The current mill assessment rate is 21 mills (2.1 cents per dollar of sales). Mill assessment revenues are the major source of funding for the state's pesticide regulatory program.

**Licensing Requirements.** Under current law, all sellers of pesticide products labeled for agricultural use are required to be licensed before they can sell such products in California. In contrast, sellers of pesticide products labeled for use in the home and other nonagricultural settings (consumer pesticides) are not required to be licensed. However, both agricultural and nonagricultural pesticide sellers are required to pay the mill assessment on the first sale in the state. Thus, the requirement to pay the mill assessment is not dependent on the seller being licensed.

**Audit Reveals Compliance Problem.** The administration recently conducted an audit of a statewide retail chain (Longs Drugs) that sells consumer pesticide products. The department's audit revealed that the mill assessment was not being collected on a substantial amount of the pesticides being sold in the state especially at large retail chains. There is some evidence that unlicensed entities selling pesticides in the state may not be aware that they are required to pay the mill assessment. The administration estimates that the state is not collecting at least \$4 million in mill revenues from unlicensed entities selling pesticide products in the state. However, the undercollection could be significantly more.

**Administration's Response to Audit Findings.** The administration is sponsoring legislation (AB 1011, Matthews) that would require all sellers of pesticide products labeled for use in the home and other nonagricultural settings (consumer pesticides) to be subject to licensing requirements.

**Implementation Concerns.** The legislation sponsored by the administration is an important first step in addressing this undercollection of mill revenues. However, staff has identified some concerns related to the implementation of this approach.

First, the enactment of this legislation would greatly expand the number of entities licensed by the department. Additional staffing would be required to support these activities. The LAO has suggested that one option for ensuring the cost-effectiveness of expanding the licensing program would be to limit the licensing requirement to nonagricultural pesticide retailers that meet an annual sales threshold.

Second, the department would need to greatly expand its audit capabilities to ensure compliance in collecting the mill assessment. Large retailers' complex distribution chains are likely to make auditing exceedingly more complex. It is also unclear how larger retail chains will be licensed.

Third, given the scope of nonagricultural pesticides regulated by DPR and the number of retailers that sell these products it may be more cost-effective and easier to pursue alternative methods for collecting the mill on nonagricultural pesticides. An alternative method could include a surcharge at the retail point of sale such as those assessed on beverage containers or certain electronics. This option is similar to legislation proposed in AB 1684 (Klehs).

**Implementation Issues Need To Be Addressed.** It is unclear whether the administration has explored options for solving the undercollection problem including addressing implementation issues. Staff believes alternative options should be evaluated and that implementation issues should be addressed at some level before a solution is recommended.

**Fully Funding State Pesticide Related Activities.** Staff finds that there are many state activities outside the department that are pesticide related. Many of these activities are currently supported by the General Fund or other special funding sources and the LAO estimates that these activities total over \$4 million annually. Increased revenues should be used to fully fund all of the state's pesticide related activities.

The LAO suggests that one option for using additional revenues is to restore programs eliminated in previous budget actions, including efforts to improve timely review of pesticides and the environmental review of the health impacts associated with pesticides. The LAO recommends the adoption of supplemental report language to require the department to prepare a report on the different options for expending additional mill fee revenues.

**Staff Recommendation.** Staff recommends that the Subcommittee keep this issue open and request that the administration report back on the department's rationale for recommending AB 1011 (Matthews) as the solution to the state's undercollection problem. Also, the administration should provide details on how they plan to implement their recommended solution.

## 2. Shift Pesticides' Risk Assessment Activities

**Background.** The DPR conducts risk assessments on pesticide ingredients to find out if they are being used in a way that is safe for both users and the general population.

**Governor's Budget.** The administration proposes providing approximately \$2.9 million for risk assessment activities at the department in the budget year.

**Conflicts of Interest.** Many concerns have been raised regarding the conflict of interest that arises when both risk assessment and risk management are performed by the same agency. The administration has indicated that they have attempted to make some fundamental changes at DPR to functionally separate the risk assessment activities from the risk management activities. The DPR cites that other state agencies also do both risk management and risk assessment, including the Department of Health Services.

**Risk Assessments Lagging.** Another concern raised about the department's risk assessment activities is that they have been relatively slow. This is especially of concern in the area of implementation of risk assessment activities related to the Toxic Air Contaminant Act that requires DPR to assess all pesticides as potential air contaminants. Of the 900 pesticide ingredients registered for use in the state, the department has completed Toxic Air Contaminant Act risk assessments for only four of these pesticides. The department indicates that it plans on completing three additional assessments in the upcoming year (sulfuryl fluoride, methidathion, and chloropicrin). The department has indicated that they now include Toxic Air Contaminant Act evaluations of every risk assessment performed on a pesticide. The department has also

indicated that they have recently employed a prioritization process in consultation with the Air Resources Board and the Office of Environmental Health Hazard Assessment (OEHHA).

**OEHHA Primary Risk Assessment Branch of Cal-EPA.** The OEHHA is the primary environmental health risk assessment branch of the state. Given some of the problems identified regarding the department's risk assessment of pesticide ingredients, OEHHA may be a more appropriate entity for risk assessment of pesticides. This agency does not have specific risk management responsibilities related to pesticides, which reduces the conflicts inherent at the department. Furthermore, it is likely that there will be synergies gained from centralizing the risk assessments related to pesticides with other toxic chemicals in the environment.

**Staff Recommendation.** Staff recommends adopting placeholder trailer bill language to shift DPR's risk assessment activities to OEHHA.

## 3940 State Water Resources Control Board

**Background.** The State Water Resources Control Board (SWRCB), in conjunction with nine semi-autonomous regional boards, regulates water quality in the state. The regional boards—which are funded by the state board and are under the state board's oversight—implement water quality programs in accordance with policies, plans, and standards developed by the state board.

The board carries out its water quality responsibilities by (1) establishing wastewater discharge policies and standards; (2) implementing programs to ensure that the waters of the state are not contaminated by underground or aboveground tanks; and (3) administering state and federal loans and grants to local governments for the construction of wastewater treatment, water reclamation, and storm drainage facilities. Waste discharge permits are issued and enforced mainly by the regional boards, although the state board issues some permits and initiates enforcement actions when deemed necessary.

The state board also administers water rights in the state. It does this by issuing and reviewing permits and licenses to applicants who wish to take water from the state's streams, rivers, and lakes.

**Governor's Budget.** The Governor's budget proposes \$729 million to support SWRCB in the budget year. This proposal is approximately \$300 million less than current year expenditure levels, mainly due to a reduction in the bond funding available for appropriation. General Fund support for the board is proposed to increase by \$1.4 million in the budget year due to increases related to employee compensation and federally mandated activities related to the cleanup of Leviathan Mine.



<b>Summary of Expenditures</b> (dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Type of Expenditure</b>				
Water Quality	\$1,023,012	\$719,206	-\$303,806	-29.7
Water Rights	10,937	9,808	-1,129	-10.3
Administration	17,289	17,805	516	3.0
Less distributed administration	-17,289	-17,805	-516	0.0
Unallocated Reduction	-368	-454	-86	0.0
<b>Total</b>	<b>\$1,033,581</b>	<b>\$728,560</b>	<b>-\$305,021</b>	<b>-29.5</b>
<b>Funding Source</b>				
General Fund	\$27,883	\$29,236	\$1,353	4.9
Special Funds	320,470	351,177	30,707	9.6
Bond Funds	517,723	178,292	-339,431	-65.6
<i>Budget Act Total</i>	<i>866,076</i>	<i>558,705</i>	<i>-307,371</i>	<i>-35.5</i>
Federal Trust Fund	127,163	128,532	1,369	1.1
Reimbursements	10,014	9,815	-199	-2.0
State Water Quality Control Fund	21,130	22,130	1,000	4.7
State Water Pollution Control Revolving Fund	-2,682	-2,682	0	0.0
Petroleum Underground Storage Tank Financing Account	11,880	12,060	180	1.5
<b>Total</b>	<b>\$1,033,581</b>	<b>\$728,560</b>	<b>-\$305,021</b>	<b>-29.5</b>

## 1. RUST Program

**Background.** Chapter 624, Statutes of 2004 (AB 1068, Liu) re-established the Repair and Replacement of Underground Storage Tanks (RUST) loan and grant program. This program provides loans to small businesses to repair, replace, or remove petroleum underground storage tanks to meet applicable standards. This program was formally administered by the now defunct Technology, Trade and Commerce Agency. Another piece of legislation enacted in 2004, Chapter 649, Statutes of 2004 (AB 2955, McCarthy), also created a new grant program within RUST to provide funding for certain small businesses to install equipment for long-term leak detection monitoring.

**Governor's Budget.** The Governor's budget proposes \$560,000 to support 4 new positions and \$11.5 million for loans and grants for 2005-06. This program is funded by a transfer from the Underground Storage Tank Cleanup Fund (USTCF), which is supported by a per gallon fee paid

by all underground storage tank owners. These funds are proposed to allocate new loans and grants and to service 357 existing loans with over \$37 million in principal. Of the total amount proposed for grants and loans, \$3.5 million is proposed to be set aside for new grants under AB 2955.

**Staff Recommendation.** Staff recommends that the Subcommittee approve this proposal as budgeted.

## 2. Underground Storage Tank Cleanup Fund Program

**Background.** The Underground Storage Tank Cleanup Fund program is essentially an insurance program supported by underground storage tank owners who pay a fee to cover clean up of leaky tanks. These funds are deposited into the Underground Storage Tank Cleanup Fund (USTCF) and allocated based on the following set priority ranking:

- Residential tank owners;
- Small businesses, governmental organizations, and nonprofit organizations;
- Businesses, governmental organizations, and nonprofit organizations with fewer than 500 employees; and
- All other entities with more than 500 employees (major oil companies and large local governments).

Chapter 774, Statutes of 2004 (AB 1906, Lowenthal) increases the petroleum tank fee (was \$0.12 per gallon in 2004) that supports the underground storage tank program by \$0.01 per gallon on January 1, 2005. An additional increase of \$0.01 per gallon is slated to go into effect on January 1, 2006. These increases will raise an additional \$8 million in the current year, \$24 million in 2005-06, and \$33 million in 2006-07. This legislation also requires that \$10 million be shifted to an Orphan Subaccount annually to support the cleanup of abandoned Brownfield sites that have been contaminated by petroleum products where there is no financially responsible party. Transfers to the Orphan Subaccount are scheduled to sunset on January 1, 2008 and the entire underground storage tank program is scheduled to sunset in 2011.

**Governor's Budget.** The Governor's budget has several proposals relating to the Underground Storage Tank Cleanup Fund program.

- **General Staffing Restoration** - \$346,000 from USTCF to support 4 new positions to address increased workload and speed up the amount of time it takes to process applications. Over the past several years, staffing to process claims has been reduced from 73 positions to 59 positions. The payment processing time has subsequently increased from 57 days to 74 days.
- **One-Time Increase in Claims** - \$15 million one-time augmentation from USTCF to expend funds that have been reverted to the fund. These funds were reverted because prior year claims were revised either because claimants did not submit supporting documents, original claims included ineligible costs, or claims were reimbursed by other sources of funding.
- **Implementation of AB 1906** - \$490,000 to support 5.5 new positions to manage the workload associated with processing \$33 million in additional claims related to the

increase in the petroleum fee and to support establishing the \$10 million transfer to a new Orphan Subaccount for Brownfield remediation.

**Allocation of Orphan Subaccount Funds Undefined.** The administration has indicated that it is currently developing plans for allocating the funds to be transferred to the new Orphan Subaccount within the USTCF. The administration plans to allocate the grant funds on a first-come-first-served basis and is anticipating implementation of a \$1.5 million cap on eligible grant funds per site. This cap amount is consistent with the cap on awards provided through the underground storage tank cleanup fund program. The board proposes to recruit a broad field of applicants that include innocent landowners, developers, local governments and redevelopment agencies, and non-profit organizations.

The first-come-first-served method of allocating these grant funds may not be the best way to allocate funds to the most deserving and needed projects. There is likely to be demand for this money that is considerably more than the relatively modest \$10 million annually provided by AB 1906. Therefore, in order for the best projects to receive awards, not only do additional criteria on the characteristics of the best projects needs to be developed, but a process for selecting these projects also needs to be developed.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposals related to the underground storage tank cleanup fund program and direct staff, the LAO, and the administration to develop trailer bill language that provides additional criteria for allocating the Orphan Subaccount funds for Brownfield development.

### 3. Cruise Ship Waste Discharge Program

**Background.** Two pieces of legislation were enacted during 2004 that reduce waste discharges into the state's waters from cruise ships. The new laws (AB 2093 [Nakano] and AB 2672 [Simitian]) prohibit the discharge of graywater and sewage from cruise ships into the marine waters of the state. This legislation also allows the SWRCB to assess a civil penalty on those who violate this prohibition.

**Governor's Budget.** The administration proposes \$80,000 from the General Fund to support 1 new position to prepare an application to the U.S. Environmental Protection Agency to establish a no discharge zone for cruise ships. Once the application is submitted and approved by U.S. EPA the staff will then focus on enforcement activities.

**Federal Authorization Needed.** The board has received instruction from U.S. EPA that federal authorization is needed to implement these laws. Specifically, as part of this application, the board has to demonstrate why the cruise ships are the only vessels of concern to the state in protecting the state's marine waters. This requirement may result in difficulties related to implementing this law.

**Staffing Level Seems Inadequate.** The staffing level proposed seems inadequate for effectively enforcing this law. If the federal government approves the state's request to enforce restrictions

on cruise ships, the administration will have to put forward a more detailed plan on how it intends to enforce this law.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal and adopt supplemental report language that requires the board to prepare a report due January 10, 2006. If the state is unable to gain approval from U.S. EPA for its request to regulate the cruise ship's dumping activities in state waters, the report should include suggested law changes that are needed to eliminate the discharging of graywater and sewage sludge into the state's waters. Information should also be provided about funding needs and staffing levels required to implement an effective regulatory program related to discharging in state waters, including coordinating these activities with the activities of the State Lands Commission's Ballast Water Management Program.

## 4. Brownfield Cleanup

**Background.** It is estimated that there are between 90,000 and 120,000 Brownfields in California where redevelopment has been delayed due to real or perceived hazardous materials contamination. Contamination at these sites hampers the ability of developer and local governments to capitalize on in-fill development projects that could reduce the urban sprawl that is seriously impacting the state's natural landscapes. Legislation enacted in 2004 (AB 389, Montanez) allows certain persons to obtain liability protection if they purchase and remediate Brownfield properties under the oversight of the Department of Toxic Substances Control or the Water Board. This legislation is likely to increase the number of Brownfield sites that the state will be asked to oversee.

**Governor's Budget.** The administration proposes additional funding to oversee Brownfield remediation at both the Water Board and DTSC. The Governor proposes to provide \$1.6 million to support 15 new positions at the Water Board and \$1.7 million to support 15 new positions at DTSC. Approximately \$1 million is from the State Water Quality Fund, \$1 million from reimbursements, \$914,000 is proposed from federal funds, and \$200,000 from the Hazardous Waste Control Account. These funds will be used to oversee cleanup of Brownfield properties, including closed military bases.

**Two Agencies, Two Processes, One Goal.** The DTSC and Water Board's oversight of cleanup activities at Brownfield sites are governed under two different sets of statutes. The DTSC has been overseeing cleanup on Brownfield sites through its Voluntary Cleanup Program since 1993. This program evolved in response to a demand for the state to oversee cleanup of sites that were not "Superfund" caliber sites. The DTSC has certified hundreds of these sites through this program. The Water Board established the Spills, Leaks, Investigations and Cleanup (SLIC) program to provide a framework for recovering the costs related to its regulatory oversight of Brownfield cleanup efforts. The SLIC program has provided oversight to cleanup efforts on over 1,500 sites since 1992.

The two agencies have recently entered into a Brownfield Memorandum of Agreement that establishes procedures for identifying the lead agency on a site, calls for a single site assessment procedure that has yet to be developed, requires opportunities for ample public involvement, and

includes a dispute resolution process in the event of a disagreement between the two agencies. The administration indicates that this agreement will address the problem of forum shopping that has arisen from having two different processes to cleanup contaminated sites. This memorandum also seeks to address the vast differences in public involvement processes at the two agencies. The memorandum specifically sets out minimum standards for public involvement. These standards are relatively minimal and are not as extensive as DTSC's processes under its Voluntary Cleanup Program that are modeled after the federal "Superfund" site guidelines.

The administration's Memorandum of Agreement is a step in the right direction in coordinating and making more consistent the state's assessment and oversight of Brownfield properties. However, it is not clear that the Agreement will be successful in coordinating activities successfully. This sort of coordination effort is significant and takes a significant amount of time on behalf of all of the agencies involved. Statutory change to make the processes more parallel may be a more efficient way of reaching many of the goals of the Memorandum of Agreement.

**Funding for Cleanup Needed.** The funding and positions provided for oversight of Brownfield cleanup are a critical first step towards increasing the number of Brownfield properties that are restored and reused to help revitalize communities and provide for much needed housing in the state. However, in order to really increase the number of sites cleaned up, public funds to help support cleanup activities where there are no responsible parties, plays an important role. The Governor's budget provides a relatively modest amount to meet this goal (\$10 million) and it is restricted to petroleum related pollution.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt the Brownfield budget proposals for the Water Board and DTSC and direct staff, LAO, and the administration to work on funding options for Brownfield cleanup in the budget year.

## 3960 Department of Toxic Substances Control

**Background.** The Department of Toxic Substances Control (DTSC) regulates hazardous waste management, cleans up or oversees the cleanup of contaminated hazardous waste sites, and promotes the reduction of hazardous waste generation. The department is funded by fees paid by persons that generate, transport, store, treat, or dispose of hazardous wastes; environmental fees levied on most corporations; the General Fund; and federal funds.

**Governor's Budget.** The Governor's budget proposes \$171 million to support DTSC in 2005-06. This is approximately \$3 million more than estimated for expenditure in the current year. This increase is mainly due to employee compensation and augmentations proposed for the Brownfield reuse program. General Fund support for the department is proposed to decrease by 14 percent mainly due to backing out one-time funding in the current year used to take over operations of a toxic landfill in Southern California.

<b>Summary of Expenditures</b> (dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Type of Expenditure</b>				
Site Mitigation and Brownfields Reuse	\$94,123	\$94,595	\$472	0.5
Hazardous Waste Management	60,412	65,349	4,937	8.2
Science, Pollution Prevention, and Technology	12,207	10,798	-1,409	-11.5
Capital Outlay	900	0	-900	-100.0
Administration	33,520	34,572	1,052	3.1
<i>less distributed administration</i>	<i>-33,520</i>	<i>-34,572</i>	<i>-1,052</i>	<i>0.0</i>
Unallocated Reduction	0	-143	-143	0.0
<b>Total</b>	<b>\$167,642</b>	<b>\$170,599</b>	<b>\$2,957</b>	<b>1.8</b>
<b>Funding Source</b>				
General Fund	\$21,072	\$18,186	-\$2,886	-13.7
Special Funds	118,679	119,865	1,186	1.0
<i>Budget Act Total</i>	<i>139,751</i>	<i>138,051</i>	<i>-1,700</i>	<i>-1.2</i>
Federal Funds	21,691	24,948	3,257	15.0
Reimbursements	8,699	9,700	1,001	11.5
Superfund Bond Trust Fund	-2,500	-2,100	400	0.0
<b>Total</b>	<b>\$167,641</b>	<b>\$170,599</b>	<b>\$2,958</b>	<b>1.8</b>

## 1. Brownfield Cleanup

See discussion under the State Water Resources Control Board.

## 2. BKK Class I Landfill

**Background.** The State recently took over operation and maintenance activities related to the BKK Class I (hazardous waste) landfill in West Covina, California when the BKK Corporation informed DTSC that it was on the verge of bankruptcy and would no longer be able to fund post closure obligations. The BKK Corporation is a subsidiary of the Washington Mutual Corporation. The DTSC acted quickly to assume operations of the landfill because of the direct health and safety risks to surrounding communities. In order to fund these activities in the current year, \$7 million General Fund has been approved, including funding for major deferred maintenance projects. The DTSC is currently pursuing potential responsible parties that contributed hazardous waste to this site to seek funding for ongoing operations and maintenance costs associated with this site. However, the State, mainly Caltrans, is a major responsible party that contributed hazardous waste to this site during its years of operation.

**Governor's Budget.** The Governor's budget does not provide any funding to support post closure operations and maintenance at the BKK landfill in the budget year. The administration indicates that they are considering proposals to continue support for these activities in the budget year for inclusion in the May Revision. However, they are also working hard to pursue funding for ongoing operations and maintenance from the responsible parties that deposited hazardous waste at this site.

**Avoiding Stringfellow.** The DTSC has indicated that it took action to take over at the BKK landfill site in order to avoid designation as a "Superfund" site. Several years ago the federal government took over operations and maintenance of the Stringfellow Class I landfill in a rural part of Riverside County. The federal government settled with the responsible parties and left the state with a huge bill for ongoing operations and maintenance costs associated with the site. The administration decided that in order to avoid a similar result with the BKK landfill that the state would take over operations of the landfill and drive negotiations with the responsible parties. At this time it is not certain the extent that the state will be able to recover costs from the various responsible parties, including the federal government. Regardless, the state will end up paying some costs, as Caltrans and other state agencies contributed toxic waste to the site.

**Avoiding Another BKK Situation.** The BKK Corporation has essentially walked away from its obligation to operate and maintain this landfill due to its financial duress. Its lack of ongoing maintenance has also created a significant backlog of maintenance activities that has put the surrounding communities in harm's way for toxic chemical exposure. The DTSC has indicated that because the BKK landfill is relatively old and has been closed since the 1980s, it was not subject to recent laws and regulations that have been put in place to protect the state from this sort of occurrence.

There are 12 other closed Class I landfills in the state and three active landfills. The DTSC indicates that over the last few decades since BKK closed, several preventative measures have

been put in place to reduce the likelihood of similar situations arising at other closed landfills. These measures include:

- More stringent design and construction standards;
- More restrictive treatment standards for the waste disposed of in landfills;
- More stringent closure and post-closure design standards;
- Increased emphasis on financial assurance for post-closure care; and
- Increased enforcement of the standards and assurances listed above.

The state should continue to work on improving standards and financial assurances so that it can minimize the state's financial liability related to ongoing maintenance and operations of these toxic sites. Recovering costs from responsible parties is a long and litigious process that takes significant time and resources. Therefore, the more the state can require financial assurances and other factors that reduce the long-term financial burden of maintaining the sites, the better. All of these toxic landfill sites will need to be managed in perpetuity, with lifetime costs of billions of dollars. The state should also have a plan for reducing the hazardous waste it produces.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this issue open pending funding proposals from the administration to support operations and maintenance of the BKK landfill in the budget year and submittal of plans for improving financial assurances related to the long-term management of hazardous landfills in order to avoid a BKK-type situation in the future.

### 3. Mercury Containing Lamps—Informational Item

**Background.** The DTSC has banned landfill disposal of mercury-containing lamps. However, when this ban was approved, an exemption was made for households and small businesses. This exemption is scheduled to expire next year. Furthermore, large proportions (over 75 percent) of mercury-containing lamps continue to be deposited in landfills.

#### Questions.

- What steps is the department taking to increase the recycling rate of mercury-containing lamps?
- How does the department intend to deal with the recycling of lamps from households and small businesses after the exemption expires?
- What steps are you taking to encourage the reduction of mercury in lamps?

### 4. Laboratory Equipment Upgrades

**Governor's Budget.** The administration proposes \$1 million in special funds to purchase laboratory equipment for the Hazardous Materials Laboratory. This augmentation is part of a several year effort to update outdated, worn out, and obsolete equipment used for chemical analysis and data management. Replacing this equipment will ensure that laboratory capabilities are adequate to support DTSC's needs.

**Staff Recommendation.** Staff recommends that the Subcommittee approve as budgeted.



## 5. School Site Assessment

**Governor's Budget.** The administration proposes \$815,000 from reimbursements to maintain DTSC's current oversight capabilities to review environmental documents for new school sites to ensure the site is free of contamination. Construction on a school cannot begin until DTSC has approved the environmental documents related to the site. The administration also proposes to convert 8 limited-term positions to permanent positions to support this program.

**Staff Recommendation.** Staff recommends that the Subcommittee approve as budgeted.

## 6. Certified Appliance Recyclers Program

**Governor's Budget.** The administration proposes \$50,000 in special funds to hire students to implement legislation from 2004 (AB 2277, Dymally) that creates a program to certify appliance recyclers to ensure that they are removing hazardous materials from the appliance before crushing, baling, or shredding major appliances for shipping to landfills.

**Staff Recommendation.** Staff recommends that the Subcommittee approve as budgeted.

## 7. CUPA for Trinity and Imperial Counties

**Governor's Budget.** The administration proposes \$1.3 million in special funds to support DTSC's role as the Certified Unified Program Agency (CUPA) for Trinity and Imperial counties. These counties do not have local programs, so DTSC will act as the responsible CUPA to consolidate the administration, inspections, and enforcement of the following six environmental programs:

- Hazardous waste generators;
- Spill prevention of above ground storage tanks;
- Underground storage tank program;
- Hazardous materials release response plans;
- California Accidental Release program; and
- Hazardous materials management plans.

**Staff Recommendation.** Staff recommends that the Subcommittee approve as budgeted.

## 3980 Office of Environmental Health Hazard Assessment

**Background.** The Office of Environmental Health Hazard Assessment (OEHHA) identifies and quantifies the health risks of chemicals in the environment. It provides these assessments, along with its recommendations for pollutant standards and health and safety regulations, to the boards and departments in the California Environmental Protection Agency and to other state and local agencies. The OEHHA also provides scientific support to environmental regulatory agencies.

**Governor's Budget.** The Governor's budget proposes \$14.8 million to support OEHHA in the budget year. This is about the same level of expenditure authority as in the current year. General Fund support for the office is proposed at \$7.9 million, which is slightly more than current-year expenditures due to employee compensation increases and a proposed augmentation to evaluate sensitive subpopulations when developing Public Health Goals.

<b>Summary of Expenditures</b> (dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Type of Expenditure</b>				
Health Risk Assessment	\$14,992	\$14,924	-\$68	-0.5
Administration	2,939	2,969	30	1.0
<i>less distributed administration</i>	-2,939	-2,969	-30	0.0
Unallocated Reduction	0	-122	-122	0.0
<b>Total</b>	<b>\$14,992</b>	<b>\$14,802</b>	<b>-\$190</b>	<b>-1.3</b>
<b>Funding Source</b>				
General Fund	\$7,692	\$7,852	\$160	2.1
Special Funds	5,117	5,308	191	3.7
<i>Budget Act Total</i>	<i>12,809</i>	<i>13,160</i>	<i>351</i>	<i>2.7</i>
Federal Trust Fund	345	0	-345	-100.0
Reimbursements	1,840	1,642	-198	-10.8
<b>Total</b>	<b>\$14,994</b>	<b>\$14,802</b>	<b>-\$192</b>	<b>-1.3</b>

### 1. Funding Adequacy

**Background.** Over the past several years, there have been concerns raised by the Legislature regarding the relative instability of OEHHA's funding due to its reliance on the General Fund. In

response to this concern, actions have been taken to shift some of the office's budget to appropriate special fund sources.

**Governor's Budget.** The Governor's budget proposes that the General Fund support approximately 60 percent of OEHHA's activities and special funds support the remaining 40 percent.

**Report Overdue.** During 2002 and 2003, legislative hearings raised concerns regarding the instability of OEHHA's funding base and whether OEHHA's funding level was adequate to meet its statutory mandates. As a result, supplemental report language was adopted to direct OEHHA to report on its long-term baseline funding requirements to meet its statutory mandates and specific recommendations regarding the appropriate mix of General Fund and special fund sources. This report was due January 10, 2004, but has not yet been received. It is difficult for the Legislature to determine the adequacy of the office's current funding level in meeting its mandates in absence of this report. The administration has indicated that it is still reviewing this report and may submit its finding in the upcoming month.

**Alternative Funding Sources.** The LAO has identified three funding sources that would be appropriate to support OEHHA's activities in the budget year. These funding sources are directly linked to activities planned at the office in the budget year. The LAO recommends that the Legislature consider the following funding shifts from the General Fund:

- \$1.5 million – for activities related to supporting the Department of Health Services' safe drinking water program from the Safe Drinking Water Account.
- \$800,000 – for activities related to various air quality regulatory programs from the Air Pollution Control Fund.
- \$500,000 – for activities that support fish contamination evaluation and advisories from the Fish and Game Preservation Fund.

The LAO notes that the Air Pollution Control Fund has a balance that could support this transfer. However, the other two funding sources do not have sufficient balances to support this shift without increases in fees or a redirection of monies from other activities.

**Staff Recommendation.** Staff recommends that the Subcommittee take action to shift \$800,000 from the Air Pollution Control Fund to support OEHHA's activities. Furthermore, staff recommends that the Subcommittee direct staff and the LAO to review the administration's forthcoming report on the office's funding adequacy for additional funding needs at the office prior to eliminating General Fund support.

## 2. Technical Budget Adjustment

**Technical Budget Adjustment Needed.** The LAO finds that the Governor's budget does not reflect a \$750,000 federal grant received in the current and budget year for a two-year pesticide illness reporting improvement project. Approximately \$500,000 is proposed for expenditure in the budget year. The LAO proposes that the Legislature increase OEHHA's federal fund expenditure authority by \$500,000 for the budget year to reflect the receipt of these funds.

**Staff Recommendation.** Staff recommends that the Subcommittee take action to increase the federal funding expenditure authority by \$500,000 in the budget year to reflect the receipt of the federal grant.

## SUBCOMMITTEE NO. 2

## Agenda

Sheila Kuehl, Chair  
Bob Dutton  
Alan Lowenthal



Monday, April 11, 2005  
9:30 am  
Room 112

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### Resources—Environmental Protection—Energy

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

## 3600 Department of Fish and Game

**Background.** The Department of Fish and Game (DFG) administers programs and enforces laws pertaining to the fish, wildlife, and natural resources of the state. The Fish and Game Commission sets policies to guide the department in its activities and regulates fishing and hunting. The DFG currently manages about 850,000 acres including ecological reserves, wildlife management areas, hatcheries, and public access areas throughout the state.

**Governor's Budget.** The Governor's budget proposes \$298 million to support DFG in 2005-06. This is a 19 percent reduction from the current year primarily due to a reduction in the amount of bonds available for appropriation in the budget year. General Fund support for this department is approximately \$37 million, which is nearly the same level of funding as in the current year.

<b>Summary of Expenditures</b> (dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Type of Expenditure</b>				
Biodiversity Conservation Program	\$189,090	\$127,220	-\$61,870	-32.7
Hunting, Fishing, and Public Use Management of Lands and Facilities	44,524	45,642	1,118	2.5
Conservation Education and Enforcement	45,617	43,570	-2,047	-4.5
Spill Prevention and Response	50,347	50,933	586	1.2
Capital Outlay	32,914	30,694	-2,220	-6.7
Administration	2,848	0	-2,848	-100.0
less distributed administration	33,233	33,756	523	1.6
Unallocated Reduction	-33,233	-33,756	-523	0.0
Total	-322	-569	-247	0.0
<b>Total</b>	<b>\$365,018</b>	<b>\$297,490</b>	<b>-\$67,528</b>	<b>-18.5</b>
<b>Funding Source</b>				
General Fund	\$37,839	\$37,307	-\$532	-1.4
Special Funds	153,090	143,059	-10,031	-6.6
Bond Funds	73,824	9,252	-64,572	-87.5
<i>Budget Act Total</i>	<i>264,753</i>	<i>189,618</i>	<i>-75,135</i>	<i>-28.4</i>
Federal Trust Fund	65,262	66,656	1,394	2.1
Reimbursements	32,470	38,819	6,349	19.6
Salton Sea Restoration Fund	2,529	2,392	-137	-5.4
Harbors and Watercraft Revolving Fund	5	5	0	0.0
<b>Total</b>	<b>\$365,019</b>	<b>\$297,490</b>	<b>-\$67,529</b>	<b>-18.5</b>

## 1. Chronic Funding-Related Problems at the Department

### Background

**The Department of Fish and Game's Mission Has Evolved.** Since its establishment in the 1870s, the department has evolved from a governmental agency founded to regulate hunting and fishing activities, to a department with broad public trustee responsibilities for California's fish and wildlife resources. Many of these changes occurred in the 1970s and continue in current statute, including the enactment of the California Environmental Quality Act (CEQA) and the California and federal Endangered Species Acts.

**Funding Structure Has Not Evolved to Match Mission.** The department has admitted that the funding base has not been changed to match the changes in the department's responsibilities and mission. Many of the new responsibilities under CEQA and other legislation were added to the department's responsibilities without adequate funding to implement and manage the new mandates. This under-funding of the department has been compounded by declining hunting and fishing revenues and increasing pressure on fish and wildlife habitats from human population growth.

This flawed funding structure has caused the department to shift resources away from basic fish and wildlife monitoring activities, data analysis, and land management, to the review of development and resource extraction projects that have potential impacts on fish and wildlife resources. The department has indicated that the consequences of this shift, over time, without adequate funding, include the degradation of the information on fish and wildlife being used by the department and a backlog of environmental improvement work on department lands.

### **Problems with the Fish and Game Preservation Fund**

**What is the Fish and Game Preservation Fund?** About 33 percent of DFG's budget is supported by the Fish and Game Preservation Fund. This fund receives revenues from hunting and fishing licenses and taxes, commercial fishing permits and fees, and environmental review fees paid by project proponents. Statute provides that some of these revenues may be used to support a *broad* range of programs related to hunting and fishing, as well as fish and wildlife protection and management activities. These revenue sources are referred to as "nondedicated" revenues. The Fish and Game Preservation Fund is also supported by revenue sources that are "dedicated" by statute for specific activities relating to the sources from which they were collected.

**LAO Finds Fish and Game Preservation Fund Proposal Contrary to Current Law.** The LAO has found that DFG has been overspending certain nondedicated accounts within the Fish and Game Preservation Fund for several years. DFG has utilized reserves from dedicated accounts within the Fish and Game Preservation Fund to make up the shortfalls. Expending dedicated revenues on activities other than those specified in statute is contrary to current law. The LAO finds that the 2005-06 budget proposal includes the expenditure of \$11 million from dedicated accounts for purposes other than those specified in statute.

**LAO Finds Fish and Game Preservation Fund Over-Subscribed.** The LAO also finds that the level of expenditures from the Fish and Game Preservation Fund for the 2005-06 budget is not sustainable. Specifically, the LAO finds that at the current rate of spending, expenditures will exceed revenues by 2006-07.

**Under-collection of Fee Revenues.** A portion of the revenues deposited in the Fish and Game Preservation Fund are from environmental filing fees on CEQA projects (commonly referred to as 3158 fees) and fees for streambed alteration permits (commonly referred to as 1600 permit fees). Current law requires the department to collect fees to cover costs associated with the department's review of CEQA projects and streambed alteration permits. However, the LAO has found that the department systemically has not collected adequate fee revenues to cover program costs. This has resulted in the department using funds from other sources (including



dedicated accounts within the Fish and Game Preservation Fund) to cover the remaining costs of this program. This has also contributed to the problems cited above by the LAO.

**Inflexible Funding Sources.** There are approximately 26 dedicated accounts within the Fish and Game Preservation Fund. The rigidity of these dedicated sources inhibits the department's ability to manage its resources effectively and creates administrative difficulties in terms of tracking specific expenditures and specific funding streams. This latter was highlighted by the LAO's findings cited above. Furthermore, the problem is compounded in that the dedicated accounts do not necessarily match DFG's mandates. This problem manifests itself throughout DFG's budget and is not limited only to activities funded by the Fish and Game Preservation Fund.

**Declining Revenues from Hunting and Fishing Licenses.** A portion of the revenues deposited in the Fish and Game Preservation Fund are from fees on hunting and fishing licenses. These revenues have been declining steadily over time due to a reduction in the number of hunting and fishing license buyers and stagnant fee levels. As a result, there is generally less funding available for fish and wildlife management activities, maintenance of department managed lands, and other services to the public. This has contributed to the problems cited above by the LAO.

**General Under-funding an Issue.** As mentioned previously, another problem that has contributed to the problems identified by the LAO (cited above) is the general under-funding of the department's mandates. Specifically, DFG has not received additional funding for many of its expanded environmental mandates starting in the 1970s. Some additional General Fund resources were provided to the department in the 2000-01 budget year, but these increases were eliminated over the past several budget cycles. There continues to be a need for a model of funding that provides adequate funding for, at least, of a baseline level of work associated with managing fish and wildlife resources and their habitats for all Californians.

## **Recommendation**

**Staff Comments.** Given the continued importance of the public trust protection responsibilities of the department, it is critical that the administration and the Legislature work together to find solutions to the many funding-related problems at DFG. The work of the department is critical to all Californians and should be funded accordingly. The department's mandates have been expanded well beyond regulating hunting and fishing in the state, but the revenue sources have not been modified adequately to reflect this shift.

**Staff Recommendation.** Consistent with the recommendation by the LAO, staff recommends that the Subcommittee direct the administration to resubmit its budget proposal for the Fish and Game Preservation Fund. The proposal should be consistent with current law or suggest statutory changes, if needed.

## 2. Office of Spill Prevention and Response

**Background.** The Office of Spill Prevention and Response (OSPR) is contained within DFG and is mandated to prevent, prepare for, and respond to spills of oil and other hazardous materials. The office is also mandated to restore and enhance resources affected by spills.

**Governor's Budget.** The Governor's budget provides \$31 million to support this program in the budget year. This is approximately \$2 million less than is provided in the current year due to a reduction in reimbursements.

The Governor's budget proposes to increase funding by \$8,000 from the Oil Spill Response Administration Fund to support equipment and training for a pipeline spill response team within the Inland Program of OSPR. The team will identify and locate pipelines that could pose major threats to the California environment and work to mitigate pipeline oil spills when they occur.

**DOF Review of OSPR.** The Department of Finance recently completed a review of OSPR. This review resulted in several recommendations regarding the administration of the program. The issues identified include the following:

- **Distributed Administration Charges High.** The DOF has found that DFG charges OSPR a higher percentage of its revenues for distributed administration costs than any other fund. The DOF has recommended that the DFG budget office review its distributed administration methodology to standardize its charges.
- **Charges on Habitat Remediation Projects High.** The DOF has found that DFG charges OSPR a distributed administration fee on all funds passed through DFG to OSPR to fund habitat remediation projects. The DOF finds that this practice is inappropriate and that the charge DFG makes should be more reflective of the administrative labor required by DFG.
- **OSPR Fund Balance.** The DOF has found that because revenues to the OSPR fund exceed expenditures, a relatively large fund balance has built up. The DOF suggests that options for utilizing this fund balance be explored. The fund balance is estimated to be approximately \$23 million.

**Staff Recommendation.** Staff recommends that the Subcommittee hold open the budget for the Office of Spill Prevention and Response and direct DFG to provide additional information on what it is doing to respond to DOF's recommendations listed above.

## 3. Marine Life Protection Act

**Background.** The Marine Life Protection Act (MLPA) of 1999 requires DFG to review and improve the existing network of marine protected areas, which are designated by law or administrative action in order to protect marine life and habitat. The MLPA requires DFG to submit a final master plan which recommends a preferred network of MPAs and addresses how MPAs will be managed, monitored, and enforced. The Master Plan is to be submitted to the Fish and Game Commission for approval by December 1, 2005.

The department's initial efforts at implementing the MLPA received considerable criticism. Concerns were raised that the process adopted by DFG of establishing MPAs did not provide for sufficient public participation, lacked a strong foundation in science, and was not sufficiently funded. The *2004-05 Budget Act* provided \$500,000 for MLPA implementation and specified that the funds were to be used to leverage private resources. The department and the Resources Agency subsequently entered into a partnership with a private foundation to assist in the implementation of MLPA. The department indicates a private foundation will provide about \$2 million for the initial implementation of MLPA.

**Governor's Budget.** The Governor's budget proposes \$500,000 from the Environmental License Plate Fund to support MLPA implementation in the budget year. This is the same level of funding that is estimated to be expended in the current year by the state. However, this funding is leveraging over \$2 million in private foundation expenditures.

**MLPA Implementation Timeline.** The administration is now implementing the MLPA through several steps. The administration first established the California MLPA Blue Ribbon Task Force to work with the Resources Agency and DFG to restart the implementation of MLPA. The taskforce is now developing a master plan (including recommendations for specific marine protected areas) in stages through 2011. The taskforce should be submitting its first work product to the Fish and Game Commission by May 2005. This work product will be a draft framework that will serve as a guiding document for the development of marine protected areas.

**Funding Needs Uncertain.** The LAO indicates that, without the draft framework the taskforce is preparing for the Fish and Game Commission, it is difficult to determine funding needs for successful implementation of MLPA in the budget year.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this issue open pending receipt and review of the draft framework document from the taskforce.

## 4. Maximizing Federal Fisheries Restoration Grant Funds

**Background.** Since 1981, DFG has provided grant funds through the Fisheries Restoration Grant Program (FRGP) to landowners, public agencies (including DFG), and nonprofit groups to restore salmon and steelhead populations through improved habitat. The program funds a variety of different activities including education projects, on-the-ground restoration work, and field surveys by DFG.

About \$13 million in federal funds have been provided annually over the last several years for this purpose. However, to leverage the federal funds, a 25 percent match is required by the state.

**Governor's Budget.** The department has indicated that approximately \$12 million in federal funds are available for these grants in the budget year. However, it is not clear whether the administration is proposing corresponding state funds to match the federal funds that are available. Failure to provide matching funds would result in a loss of federal funds for fisheries restoration grants.

**Staff Recommendation.** Staff recommends that the Subcommittee hold the department's federal funds budget open pending additional information regarding how the department plans to match available federal funds.

## 5. Enhancing Land Management

**Background.** As mentioned in Issue 1 of this agenda, there are many funding-related problems at the department. One of the areas where DFG is under-funded is in the management of department-owned lands. The five major resources bonds that have been approved by the voters have resulted in DFG owning additional acres of wildlife habitat. However, there have not been additional funds made available to the department to manage these properties.

**Governor's Budget.** The budget proposes an additional \$2.2 million from Proposition 12 bond funds and federal funds for various projects to manage and enhance lands owned by the department. Federal funds will be used to fund erosion control and vegetation management on department-owned properties in San Diego County that pose a fire threat. The federal funds are provided by the Office of Emergency Services from a Federal Emergency Management Act grant.

**Staff Comments.** This additional funding is just a fraction of what is needed at the department for land management activities. State properties are a pivotal component of the state's plan to protect California's public trust fish and wildlife resources. General Fund expenditures are an appropriate funding source for these activities since they broadly protect public trust resources. However, the state's current fiscal situation requires the exploration of other options for funding. Supplemental report language was adopted at the March 14 meeting of the Subcommittee to direct the Resources Agency to develop an options report for addressing the state's land management funding shortfall.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget request.

## 6. Other Budget Change Proposals

**Governor's Budget.** The Governor's budget includes the following budget change proposals:

- **Sierra Nevada Forest Lands and Fuels Management Program.** The budget provides \$403,000 (\$90,000 for 2004-05 and \$360,000 for 2005-06) in reimbursements from the Department of Forestry and Fire Protection (CDF) for support in updating its Programmatic Timber Environmental Impact Report (EIR). The EIR is required before CDF embarks on a multi-year effort to reduce fuels in the Sierra Nevada with Proposition 40 bond funds. This fuel reduction project was approved in the 2004-05 budget.
- **Funding for the CalTip Program.** The budget provides a one-time augmentation of \$98,000 from the Fish and Game Preservation Fund to replace equipment and to fund a portion of the dispatch contract with the Department of Parks and Recreation to support the CalTip program. The CalTip program is a confidential witness program that allows the public anonymously to report wildlife violations via a toll-free hotline.

- **Cantara Train Derailment Cleanup.** The budget proposes to continue for two more years two limited-term positions and other consultant contracts to support the grant monitoring and restoration activities at the Cantara Loop Bridge on the upper Sacramento River. This was the site of the freight train derailment that spilled 19,000 gallons of a pesticide into the river in 1991, effectively sterilizing the river. These activities will be supported by \$557,000 in reimbursements.
- **Funding for Fishing Programs.** The Governor proposes \$113,000 in federal funds to fund an expansion of the Fish Health Program that inspects imported fish and fish proposed for planting into public waters to minimize the impact of diseases on native species. The budget also includes \$1.2 million (\$860,000 federal funds and \$286,000 Fish and Game Preservation Fund) for a Central Valley angler survey that is needed to continue to allow recreational fishing in the presence of listed species on the federal Endangered Species Act.

**Staff Recommendation.** No issues have been raised with these proposals and staff recommends that the Subcommittee approve the budget requests outlined above.

## 3340 California Conservation Corps

**Background.** The California Conservation Corps (Corps) assists federal, state and local agencies and nonprofit entities in conserving and improving California's natural resources and provide employment, training, and educational opportunities for young men and women. The Corps provides on-the-job training and educational opportunities to California residents aged 18 through 23, with projects that conserve and enhance the state's natural resources and environment. In addition to activities traditionally associated with the Corps, such as tree planting, stream clearance, and trail building, the Corps responds to emergencies caused by fires, floods, earthquakes, and other natural disasters. The Corps also develops and provides funding for 11 community conservation corps.

**Governor's Budget.** The Governor's budget proposes \$102 million to support the Corps in 2005-06. This is an increase of nearly \$30 million from current year expenditure levels due to increases in capital outlay projects funded by the Public Buildings Construction Fund. General Fund support for this program is proposed to remain relatively the same as in the current year.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Type of Expenditure</b>				
Training and Work Program	\$72,613	\$60,249	-\$12,364	-17.0
Capital Outlay	0	42,449	42,449	0.0
Administration	6,480	6,480	0	0.0
<i>less distributed administration</i>	<i>-6,480</i>	<i>-6,480</i>	<i>0</i>	<i>0.0</i>
Unallocated Reduction	0	-378	-378	0.0
<b>Total</b>	<b>\$72,613</b>	<b>\$102,320</b>	<b>\$29,707</b>	<b>40.9</b>
<b>Funding Source</b>				
General Fund	\$23,749	\$24,130	\$381	1.6
Collins-Dugan California Conservation Corps Reimbursement Account	29,420	31,745	2,325	7.9
Other Special Funds	607	598	-9	-1.5
Bond Funds	8,410	3,398	-5,012	-59.6
<i>Budget Act Total</i>	<i>62,186</i>	<i>59,871</i>	<i>-2,315</i>	<i>-3.7</i>
Reimbursements	10,428	0	-10,428	-100.0
Public Buildings Construction Fund	0	42,449	42,449	0.0
<b>Total</b>	<b>\$72,614</b>	<b>\$102,320</b>	<b>\$29,706</b>	<b>40.9</b>

## 1. Collins-Dugan Reimbursement Account

**Background.** The Collins-Dugan Reimbursement Account earns revenues from reimbursements paid by project sponsors for work done by corpsmembers. Statute provides that the Collins-Dugan Account can be used to support a broad range of activities of the Corps.

**Governor's Budget.** The budget proposes expenditures of \$31.7 million from the Collins-Dugan Reimbursement Account. The proposed level of Collins-Dugan Account expenditures is projected to leave the account with a reserve of \$15.8 million—or about 50 percent of proposed expenditures—at the end of 2005-06.

The budget proposes to increase expenditures from the Collins-Dugan Reimbursement Account by \$3.3 million in the budget year. These funds are proposed to restore funding for the Corps' residential center in Ukiah and statewide evening education and training programs. Funding for the Ukiah facility and programs were reduced significantly in the last several years due to General Fund reductions. Approximately 34 positions (14 for the Ukiah facility) are proposed to be restored, funded by the proposed increase in funding from the Collins-Dugan Reimbursement Account.

**LAO Finds Fund Reserve Unnecessarily High.** The LAO finds that, in each year since 2001-02, more than \$10 million in funds remained available in the reserve of the Collins-Dugan Reimbursement Account at the end of the budget year. The LAO finds that the Corps could use a portion of this reserve to support expenditures currently proposed to be funded from the General Fund. Specifically, the LAO recommends a one-time increase in expenditure authority of \$11.5 million from the Collins-Dugan Reimbursement Account and a corresponding one-time reduction in General Fund. This would leave the Collins-Dugan Reimbursement Account with a \$4.3 million reserve, which is about 10 percent of expenditures.

**California Conservation Corps Accounting Suspect.** The Corps have indicated that there may be some systemic problems with the handling of accounting and budgeting related to the Collins-Dugan Reimbursement Account. They have indicated to staff that inconsistencies in the way in which this account has been budgeted may have resulted in an inflated reserve.

Staff understands that there are risks and challenges associated with managing cash flow when department expenditures are largely supported by reimbursements. However, the LAO has indicated that the Corps has special budget bill authority that allows the department to request loans from the General Fund to address cash flow problems that may arise during the year.

**Staff Recommendation.** Staff recommends that the Subcommittee hold open the Corps budget until the department is able to justify its budget proposal.

## 2. Fuel Reduction and Fire Training Project

**Background.** The 2004-05 budget included \$1.5 million to the Corps to fund a fuel reduction and fire training program. This project included using \$310,000 in Workforce Investment Act (WIA) funds, \$625,000 in Proposition 40 bond funds from the California Department of Forestry and Fire Protection (CDF), and \$545,000 in reimbursements from work performed by the corpsmembers to fund fuel reduction in the Sierra Nevada and provide fire suppression training for about 75 corpsmembers.

**Governor's Budget.** The Governor's budget does not provide additional funding for this program in the budget year.

**Update.** The department has indicated that the contract with CDF has begun and that the Resources Agency is supporting the effort to provide fire training to additional corpsmembers so that they can participate in the fuel reduction efforts in the Sierra Nevada.

The Corps have also indicated that they are currently working under another WIA grant from the County of San Diego on reforestation projects in areas burned in the wildfires from two years ago. The Corps indicates that they have been successful in meeting the performance requirements related to the WIA funds. The Corps ability to comply with the performance measures required by the WIA funds had been a concern raised by the Employment Development Department during budget deliberations in 2004.

Despite the work that has been started, it is not clear that the Corps will spend these funds in the current budget year. Therefore, to enable this program to be implemented, these funds may need to be reappropriated. The department has not indicated whether these funds need to be reappropriated in the budget year to ensure that the funds are available to support the program.

**Staff Recommendation.** Staff recommends that the Subcommittee hold the Corps budget open until the administration has reported on actions that may be needed to continue implementation of the fuel reduction and fire training project.

## 3. Bond Funds

**Governor's Budget.** The Governor's budget includes the following budget change proposal:

- **Bond Funds.** The budget provides \$3.3 million from Proposition 40 bond funds. Approximately \$1.2 million is to support the state corps and \$2.1 million supports local conservation corps programs. The budget also provides approximately \$69,000 from Proposition 12 bond funds. Approximately \$5,000 is proposed to support the state corps and the remaining amount supports local corps programs. Only about \$1.4 million in bond funds dedicated to the Corps remain.

**Staff Recommendation.** No issues have been raised with this proposals and staff recommends that the Subcommittee approve the budget request outlined above.



## 3480 Department of Conservation

**Background.** The Department of Conservation (DOC) is charged with the development and management of the state's land, energy, and mineral resources. The department manages programs in the areas of: geology, seismology, and mineral resources; oil, gas, and geothermal resources; agricultural and open-space land; and beverage container recycling.

**Governor's Budget.** The Governor's budget proposes \$915 million to support DOC in the budget year. This is approximately 5 percent less than estimated current-year expenditures due to one-time expenditures in the recycling program and a reduction in the amount of bond funds available for land conservation programs. General Fund support for this program is approximately \$4.9 million, which is 22 percent more than in the current year due to a technical budget adjustment.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Type of Expenditure</b>				
Geologic Hazards and Mineral Resources Conservation	\$23,528	\$27,276	\$3,748	15.9
Oil, Gas, and Geothermal Resources	15,208	16,594	1,386	9.1
Land Resource Protection	40,528	21,855	-18,673	-46.1
Beverage Container Recycling and Litter Reduction	886,268	849,551	-36,717	-4.1
Administration	10,621	11,329	708	6.7
<i>less distributed administration</i>	<i>-10,621</i>	<i>-11,329</i>	<i>-708</i>	<i>0.0</i>
Unallocated Reduction	0	-62	-62	0.0
<b>Total</b>	<b>\$965,532</b>	<b>\$915,214</b>	<b>-\$50,318</b>	<b>-5.2</b>
<b>Funding Source</b>				
General Fund	\$3,969	\$4,865	\$896	22.6
Special Funds	914,744	879,467	-35,277	-3.9
Bond Funds	35,684	19,581	-16,103	-45.1
<i>Budget Act Total</i>	<i>954,397</i>	<i>903,913</i>	<i>-50,484</i>	<i>-5.3</i>
Federal Trust Fund	1,713	1,730	17	1.0
Bosco-Keene Renewable Resources Investment Fund	831	858	27	3.2
Reimbursements	8,590	8,713	123	1.4
<b>Total</b>	<b>\$965,531</b>	<b>\$915,214</b>	<b>-\$50,317</b>	<b>-5.2</b>

## 1. Department of Conservation Reorganization

**Background.** At the April 4 meeting of this Subcommittee, the LAO testified concerning its recommendation to consolidate the state's recycling programs. The recommendation would transfer the department's Division of Recycling to a new department under the Secretary for Environmental Protection. This would leave DOC with the following functions:

- **California Geologic Survey**—Develops and provides technical information and advice on California's geology, geologic hazards, and mineral resources.
- **Division of Land Resource Protection**—Guides land use planning decisions and administers programs that allow agricultural and open space landowners to voluntarily protect their land.
- **Division of Oil, Gas, and Geothermal Resources**—Provides for the prudent development of hydrocarbon and geothermal resources through the application of sound engineering and regulatory practices.
- **Office of Mine Reclamation**—Provides expertise and advice to lead agencies and operators to promote the use and development of mineral resources consistent with sound conservation practices, and promote effective mine land reclamation to prevent adverse impacts.
- **State Mining and Geology Board**—Operates within DOC, and serves as a regulatory, policy and appeals body representing the state's interest in geology, geologic and seismologic hazards, conservation of mineral resources, and reclamation following surface mining activities.

Before the mid-1980s, when the beverage container recycling program was enacted, DOC was responsible for the activities listed above. Therefore, if the Division of Recycling was transferred to another agency, the department's remaining functions could continue to be managed under the current department structure.

**LAO Suggests Evaluating Options for Transferring DOC's Remaining Functions.** The LAO finds that the remaining programs under DOC should be evaluated to determine whether they should be transferred to other state agencies and suggests the following option as a starting point for legislative consideration.

- **Geologic Hazards and Mineral Resources Conservation Activities**—Transferred to the State Lands Commission, California Energy Commission, and/or the Seismic Safety Commission.
- **Oil, Gas, and Geothermal Resources Activities**—Transferred to the State Lands Commission and/or the California Energy Commission.
- **Land Resource Protection Activities**—Transferred to the State Lands Commission, the Department of Forestry and Fire Protection, the Department of Food and Agriculture, and/or the Resources Agency.

**Staff Recommendation.** Staff recommends that the Subcommittee leave this issue open pending receipt of a reorganization plan from the administration and direct staff to evaluate all impacts of transferring DOC's activities to other state agencies.

## 2. Williamson Act

**Background.** The Williamson Act allows cities and counties to enter into contracts with landowners to restrict certain property to open space and agricultural uses. In return for these restrictions, the property owners pay reduced property taxes. The contracts entered into between local governments and property owners are ten-year contracts, which are typically renewed each year for an additional year, such that the contract remains at a constant 10 years. Landowners that do not renew their contracts face gradual increases in their property tax over a ten-year period to the level that unrestricted land is taxed. Landowners that cancel their Williamson Act contracts must pay a penalty of 12.5 percent of the unrestricted fair market value of the land.

**LAO Recommendation.** Over the past several years, the LAO has recommended that the Legislature provide for the gradual elimination of payments to local governments for the local revenue losses associated with Williamson Act contracts. The Analyst has found substantial weaknesses in the program that reduces its effectiveness at preserving open space. For example, the Analyst cites that the state has no control over the specific land parcels and cannot ensure that participating lands are at risk of development pressures. Furthermore, landowners are allowed to cancel or not renew the contracts, which may not result in permanent changes to land use patterns.

**Williamson Act Not as Effective at Preserving Open Space Post-Proposition 13.** The passage of Proposition 13 in 1978 limited the property tax rate to 1 percent of assessed property value. It also limited increases in a property's assessed value to an adjustment of up to 2 percent annually, with reassessment at market value only upon resale. The effect of these limits has been that, in most cases, property taxes have a small financial impact and only marginally affect decisions to buy or develop real estate. Therefore, a property tax reduction, such as is provided through the Williamson Act, is unlikely to change current or future decisions regarding the development or preservation of open-space lands.

**Cancellation Penalties Not Effective Deterrent to Breaking Contract.** Current law requires landowners wishing to cancel their Williamson Act contract to pay a penalty of 12.5 percent on the unrestricted fair market value of the property. Despite this penalty, about 25 Williamson Act contracts are cancelled annually. As a result, an average of 1,200 acres of land are no longer under the Williamson Act protections each year. This is especially problematic given the rapid population growth and subsequent demand for housing in the Central Valley, which has traditionally been predominantly agricultural. For example, DOC has already received 37 Williamson Act cancellations for nearly 3,000 acres, so far, in the current year.

**Staff Recommendation.** The subcommittee may wish to consider directing staff, the LAO, and the administration to develop trailer bill language to increase the penalties assessed for canceling a Williamson Act contract. This would provide a greater disincentive to cancel a Williamson Act contract, thereby increasing the effectiveness of this program in preserving open space.

### 3. Beverage Container Recycling Programs

**Background.** The DOC's Division of Recycling administers the California Beverage Container Recycling and Litter Reduction Act (commonly referred to as the bottle bill) to achieve and maintain high recycling rates for beverage containers included in the program. The DOC provides a number of services to achieve these goals, including enforcement, auditing, grant funding, technical assistance, and education. Revenues to the Beverage Container Recycling Fund (BCRF) increased 40 percent in 2004-05 due to the implementation of Chapter 753, Statutes of 2003 (AB 28, Jackson) that increased the deposit for beverage containers sold in California.

**General Fund Loans.** The BCRF has provided several loans to the General Fund in past budget years to help address the state's budget crisis. The General Fund has borrowed approximately \$370 million from the fund. The administration has not proposed repayment of these funds in the budget year. Language in the 2003-04 budget bill indicated that a portion of the loan should be repaid by June 30, 2009. The courts have determined that these funds are not General Fund fungible and must be repaid to the BCRF eventually.

**Governor's Budget.** The Governor's budget includes the following budget change proposals to augment activities within the Division of Recycling.

- **Cost Surveys.** The budget proposes \$574,000 ongoing from the BCRF to fund the total costs of the biennial recycling costs surveys required by AB 28 (Jackson). The budget was augmented by \$553,000 in 2004-05 for this purpose, but the department indicates that \$900,000 is needed annually to support the work related to these surveys.
- **Criminal Prosecution of Recycling Fraud Cases.** The budget proposes \$446,000 from the BCRF to contract for legal representation with the Attorney General to prosecute criminal fraud in the recycling program. Current fraudulent activity related to the recycling program is estimated at an annual cost of \$3-5 million annually, but could be ten-fold higher.
- **Curbside Registration and Monitoring Program.** The budget proposes \$462,000 (\$402,000 ongoing) from the BCRF to fund 4 new positions to support the curbside registration and monitoring program. Currently, there are virtually no record keeping or reporting systems in place and, consequently, there is minimal oversight of curbside programs in California, with significant potential for fraud. This registration and monitoring program will allow the department to begin to monitor the CRV claims by curbside programs.
- **IT Support.** The budget proposes \$376,000 one-time expenditure authority from the BCRF to upgrade the department's network computing infrastructure. This proposal also includes a one-time augmentation of \$161,000 from the Oil, Gas, and Geothermal Administrative Fund.

**Staff Recommendation.** No issues have been raised with these proposals and staff recommends that the Subcommittee approve these budget proposals.

## 4. Division of Oil, Gas and Geothermal Resources

**Background.** The Division of Oil, Gas, and Geothermal Resources ensures the safe exploration and development of hydrocarbon and geothermal resources. The division ensures that operators use sound engineering practices to protect life, health, property, and natural resources. The division oversees all operations related to mineral extraction from drilling to the plugging of abandoned wells.

**Governor's Budget.** The Governor's budget includes the following budget change proposals to augment activities within the Division of Oil, Gas, and Geothermal Resources.

- **IT Upgrades.** The budget proposes \$750,000 in one-time expenditure authority from the Oil, Gas, and Geothermal Administrative Fund (funded by assessments and fees on the petroleum industry) to replace the oil and gas production tracking and assessment system and to integrate new functions into the system. The new functions to be integrated include CEQA projects tracking, orphan well program, and penalty process and enforcement tracking.
- **Re-establishes Formerly Vacant Positions.** The budget proposes \$294,000 in ongoing expenditure authority from the Oil, Gas, and Geothermal Administrative Fund to restore 4 of the 17 positions eliminated as a result of the vacancy reductions over the past few years. These positions are clerical and are needed to support the division's enforcement program.
- **IT Support.** The budget proposes \$161,000 one-time expenditure authority from the Oil, Gas, and Geothermal Administrative Fund to upgrade the department's network computing infrastructure. This proposal also includes a one-time augmentation of \$376,000 from the Beverage Container Recycling Fund.
- **Accounting Settle-Up.** A budget trailer bill from 2003 (AB 1747) created the Oil, Gas, and Geothermal Administrative Fund to deposit annual assessments and fees on the oil, gas, and geothermal industry. Formerly, these funds were deposited in the General Fund. However, this legislation did not address the transfer of funds from the General Fund to this special fund. Therefore, the budget proposes to transfer \$859,000 in fee assessment revenues from the General Fund to the new fund.

**Staff Recommendation.** No issues have been raised with these proposals and staff recommends that the Subcommittee approve these budget proposals.

## 5. Surface Mining and Reclamation Act

**Background.** The department's Office of Mine Reclamation provides expertise and advice to lead agencies and operators to implement the Surface Mining and Reclamation Act (SMARA). This act sets forth provisions to promote the use and development of mineral resources consistent with sound conservation practices, and promotes effective mine land reclamation to prevent adverse impacts.

The State Mining and Geology Board operates within the DOC, and serves as a regulatory, policy and appeals body representing the state's interest in geology, geologic and seismologic

hazards, conservation of mineral resources, and reclamation following surface mining activities. The board is the main regulatory agent in adopting regulations for SMARA.

**Governor's Budget.** The Governor's budget includes the following budget change proposal to augment activities at the State Mining and Geology Board:

- **Legal Services.** The budget proposes \$92,000 in ongoing expenditure authority from the Mine Reclamation Account to fund legal services provided to the board by the Attorney General. These legal services are required to represent the board in trial hearings in order to carry out the board's lead agency responsibilities under SMARA.

**Governor's April Finance Letter.** The Governor's April 1 Finance letter includes the following proposed amendment to the budget:

- **Additional Positions.** The letter proposes to establish 5 new positions to meet the workload required by SMARA. Three of these positions will review mine inspection reports and advise local lead agencies regarding the adequacy of the reclamation plans that each operating mine is required to prepare. Two of these positions will be used to identify and mitigate abandoned mine hazards. These positions will be established out of resources already budgeted for the department. These restorations are needed due to significant staffing reductions over the past two years as a result of vacancy reductions. However, during the same time period, workload has increased. Funding is already budgeted for these positions.

**Staff Recommendation.** No issues have been raised with these proposals and staff recommends that the Subcommittee approve these budget proposals.

## 3680 Department of Boating and Waterways

**Background.** The Department of Boating and Waterways (DBW) is responsible for planning and developing boating facilities on waterways throughout California. It is also responsible for protecting the public's right to safe boating by providing subventions to local law enforcement agencies. The department is also responsible for boating safety and education, licensing yachts, aquatic weed control in the Sacramento-San Joaquin Delta, and beach erosion control along California's coast.

**Governor's Budget.** The Governor's budget proposes \$72 million to support DBW, which is approximately the same level of funding estimated for expenditure in the current year. The department is not supported by the General Fund.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Type of Expenditure</b>				
Boating Facilities	\$48,246	\$51,145	\$2,899	6.0
Boating Operations	15,921	16,056	135	0.8
Beach Erosion Control	1,238	1,417	179	14.5
Capital Outlay	6,432	3,380	-3,052	-47.5
Administration	2,327	2,338	11	0.5
less distributed administration	-2,327	-2,338	-11	0.0
<b>Total</b>	<b>\$71,837</b>	<b>\$71,998</b>	<b>\$161</b>	<b>0.2</b>
<b>Funding Source</b>				
General Fund	\$0	\$0	\$0	0.0
Abandoned Watercraft Abatement Fund	500	500	0	0.0
Budget Act Total	500	500	0	0.0
Federal Trust Fund	9,427	8,111	-1,316	-14.0
Reimbursements	1,015	1,015	0	0.0
Harbors and Watercraft Revolving Fund	60,895	62,372	1,477	2.4
<b>Total</b>	<b>\$71,837</b>	<b>\$71,998</b>	<b>\$161</b>	<b>0.2</b>

## 1. Harbors and Watercraft Revolving Fund

**Background.** The Harbors and Watercraft Revolving Fund is the main source of funding for the Department of Boating and Waterways. This fund is supported by annual appropriations from the Motor Vehicle Fuel Account from the taxes on fuel for vessels. Registration fees paid for vessels, fees paid by licensed yacht and ship brokers and fees associated with boating facilities in state parks are also deposited in this fund.

**Governor's Budget.** The Governor's budget includes the following budget change proposals to augment local assistance grants and loans at the department from the Harbors and Watercraft Revolving Fund.

- **Small Craft Harbor Planning and Construction Loans.** The budget proposes \$19 million for public loans to develop, expand or rehabilitate marina facilities at 7 locations in the state. Marinas at Downtown Long Beach, Dana Point, and San Francisco are proposed to receive the largest allocations in the budget year.
- **Boat Launching Facility Grants.** The budget proposes \$11.7 million for 14 grants to build or improve launching facilities. The largest grants are proposed to fund projects at the Antioch Marina, Shelter Island in San Diego, Dana Point, and the Port of Redwood City.
- **Private Recreational Marina Loans.** The budget proposes \$3.5 million to fund loans to develop, expand or rehabilitate private marina facilities statewide.
- **Beach Erosion Studies and Projects.** The budget proposes \$816,000 to fund various beach erosion studies and one project. The studies include \$200,000 for a Los Angeles County Coast study; \$100,000 for a Santa Barbara and Ventura Counties study; \$100,000 for an engineering study for the City of Imperial Beach; and \$150,000 for an engineering study for the Cities of Encinitas and Solana Beach. The project proposed for funding is \$266,000 for Long Beach sediment management projects.

The Governor's budget also includes the following budget change proposals to augment state operations of the department from the Harbors and Watercraft Revolving Fund:

- **Water Hyacinth Control Program.** The budget proposes \$85,000 to contract with the California Conservation Corps to assist the aquatic weed control program with controlling water hyacinth in the Sacramento/San Joaquin Delta.
- **Beach Erosion Studies and Projects.** The budget proposes \$350,000 to fund additional studies needed to support the California Coastal Sediment Master Plan. Specifically, \$200,000 is proposed for a study on the impacts surrounding the use of fine-grained sediment for beach replenishment. In addition, \$80,000 is provided to continue to manage the state's involvement in the Coastal Sediment Master Plan development and \$70,000 is provided for a statewide coastal beach attendance study.

The Governor's budget also includes the following budget change proposals for capital outlay projects funded by the Harbors and Watercraft Revolving Fund:

- **Major Projects.** The budget proposes \$80,000 for project planning and studies needed to develop major capital outlay projects for future years.
- **Minor Projects.** The budget proposes \$3.3 million for five location-specific projects and other statewide projects. The statewide projects include emergency repairs, boating trails,



boarding float replacements, information kiosks, and low water improvements to boating facilities.

**Staff Recommendation.** No issues have been raised with the proposals and staff recommends that the Subcommittee approve these budget proposals.

## 2. Abandoned Watercraft Abatement Fund

**Background.** Funding for the Abandoned Watercraft Abatement Fund comes from transfers from the Harbors and Watercraft Revolving Fund. The revenues transferred to the Abandoned Watercraft Abatement Fund come from fines and penalties on abandoned watercraft and proceeds of the sale of such vessels.

**Governor's Budget.** The Governor's budget includes the following budget change proposal to augment local assistance grants at the department from the Abandoned Watercraft Abatement Fund.

- **Removal of Abandoned Vessels.** The budget proposes \$500,000 for grants to local agencies for the removal of abandoned vessels. The program requires 10 percent in matching funds from the local agency seeking a grant from the department.

**Staff Recommendation.** No issues have been raised with the proposal and staff recommends that the Subcommittee approve this budget proposal.

## 3720 California Coastal Commission

**Background.** The California Coastal Commission, following its initial creation in 1972 by a voter initiative, was permanently established by the State Coastal Act of 1976. In general, the act seeks to protect the state's natural and scenic resources along California's coast. It also delineates a "coastal zone" running the length of California's coast, extending seaward to the state's territorial limit of three miles, and extending inland a varying width from 1,000 yards to several miles. The commission's primary responsibility is to implement the act's provisions. It is also the state's planning and management agency for the coastal zone. The commission's jurisdiction does not include the San Francisco Bay Area, where development is regulated by the San Francisco Bay Conservation and Development Commission.

**Governor's Budget.** The Governor's budget proposes \$15.5 million to support the commission in the budget year. This is approximately the same level of funding as estimated for expenditure in the current year. General Fund support for this program is approximately the same level as estimated for expenditure in 2004-05.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Type of Expenditure</b>				
Coastal Management Program	\$14,876	\$14,751	-\$125	-0.8
Coastal Energy Program	906	797	-109	-12.0
Administration	1,633	1,619	-14	-0.9
less distributed administration	-1,514	-1,538	-24	0.0
Unallocated Reduction	0	-152	-152	0.0
<b>Total</b>	<b>\$15,901</b>	<b>\$15,477</b>	<b>-\$424</b>	<b>-2.7</b>
<b>Funding Source</b>				
General Fund	\$9,797	\$9,801	\$4	0.0
Special Funds	1,362	1,360	-2	-0.1
Budget Act Total	11,159	11,161	2	0.0
Federal Trust Fund	3,020	3,032	12	0.4
Reimbursements	1,723	1,284	-439	-25.5
<b>Total</b>	<b>\$15,902</b>	<b>\$15,477</b>	<b>-\$425</b>	<b>-2.7</b>

## 1. Improving Coastal Access and Development Mitigation

**Background.** The Coastal Commission has employed the use of “offers to dedicate” (OTD) as a mitigation tool in its permitting process. This tool was developed as a result of legal and statutory limitations on imposing mitigation as a permit condition for coastal development. An OTD is quite different from the upfront mitigation requirements often employed by other land use permitting agencies such as the San Francisco Bay Conservation Development Commission. Under OTDs, the permittee is offering to transfer an interest in a portion of his/her land at some point *in the future* (when an entity is found to accept the offer) in return for a permit to develop his/her property *now*.

Once the OTD is recorded, the commission attempts to identify organizations which will accept the OTD, a process which typically takes several years. By accepting the OTD, the accepting agency assumes responsibility for providing and maintaining the mitigation. Pursuant to commission practice, the “offer” of an OTD typically remains in effect for a period of 21 years. If an OTD is not accepted by a third party within the specified time, the OTD expires, resulting in a permanent loss of the mitigation measure agreed to at the time the permit was granted.

**Types of OTDs.** There are two major categories of OTDs used by the commission: access and nonaccess. Access OTDs provide access within the coastal zone—usually directly to the ocean. These OTDs are identified by their relationship to the ocean: “lateral” OTDs are parallel to the ocean; “vertical” OTDs are perpendicular to the ocean; and “trail” OTDs provide recreation access within the coastal zone.

The second broad category of OTDs are non-access (mainly conservation) dedications. These are generally conservation areas or environmentally important areas where public access is not the primary goal of the mitigation.

**Number of OTDs Set to Expire Growing.** In a recent report, the LAO finds that there are over 1,400 access OTDs and 1,300 non-access (or conservation) OTDs that are known to have been attached to permits issued by the commission. Of these permit conditions that have been recorded and tracked by the commission, over 40 percent of the OTDs have not yet been accepted.

In addition, the LAO has found that a potentially significant portion of the non-access OTDs with unknown status might also be outstanding. The LAO also finds that a significant number of these OTDs will expire within the next few years (meaning that the “offer” has remained outstanding for 21 years). Almost 30 percent of the OTDs that have not yet been accepted are scheduled to expire in the next four years. In 2004 alone, over 95 OTDs are scheduled to expire, followed by roughly 80 expirations a year in the succeeding three years.

**Improving Tracking System of OTDs.** The LAO has found that despite recent upgrades to the Coastal Commission’s tracking system for OTDs the Commission still cannot identify the status of about 17 percent of non-access OTDs. Without tracking the status of these OTDs, it is likely that the potential mitigation to be achieved from these properties will either be lost forever, or significantly delayed. The LAO recommends that the Coastal Commission make the tracking of all existing OTDs a high priority. While the commission appears to be moving in this direction, a

lack of adequate funding has resulted in the commission focusing their resources only on those OTDs that are imminently set to expire. The LAO indicates that improved information from the commission on the universe of OTDs is important so that the Legislature can evaluate how well the Coastal Act's objectives are being met through OTDs and to determine future funding requirements connected with OTDs.

**Accepting and Opening Outstanding OTDs.** Recent legislation (Chapter 518, Statutes of 2002 [SB 1962, Polanco]) requires that the California Coastal Conservancy *accept* all access OTDs that are set to expire. The legislation also required that the Conservancy *open* at least three public accessways annually.

At present, no such arrangement is in place to address non-access OTDs. Therefore, the Commission must find parties to accept the non-access OTDs before they expire. This can be a very time consuming process even if the entities accepting these OTDs are other state agencies because the commission and receiving agency must go through the Department of General Services and State Public Works Board process required by state law to transfer the OTD.

**LAO Recommendations.** The LAO has made the following recommendations to improve the use of OTDs as effective mitigation tools and to improve legislative oversight over the use of OTDs by the commission. The recommendations include:

- **Report on Universe of OTDs.** The LAO recommends the enactment of report language to direct the commission to report, by January 1, 2006, on the status, location, and expiration date of all outstanding OTDs, including those non-access OTDs not currently being tracked. The LAO recognizes that this may take a one-time augmentation of resources at the commission and suggests that this workload could be supported by the Whale Tail License Plate funds that are currently deposited in the Environmental License Plate Fund.
- **Develop Plan for Accepting and Opening OTDs.** The LAO recommends the enactment of legislation directing the commission, in conjunction with the State Lands Commission and the State Coastal Conservancy, to develop a plan to be submitted to the Legislature to facilitate the acceptance, development, and opening of *all* outstanding OTDs within a specified timeframe to be determined in consultation with the commission and other state agencies. The LAO specifies that the plan should identify (1) the costs to meet the plan's objective, (2) potential state funding sources, and (3) organizations that could potentially assume the long-term management of the OTDs.
- **Designate a State Agency to Accept Non-access OTDs.** The LAO recommends that legislation be enacted that requires a state agency to accept non-access OTDs. They recommend legislation similar to SB 1962 which requires that public access OTDs be accepted by the State Coastal Conservancy before expiring and being lost to the public for future use. The LAO notes that there are relatively no direct costs associated with accepting OTDs based on the process set up in SB 1962 that bypasses the Department of General Services and State Public Works Board process.

**Funding Options.** The Coastal Commission has indicated that additional funds are needed to implement the LAO's first two recommendations. The funds needed for these activities are one-time in nature.

Staff finds that a one-time shift from the Whale Tail License Plate Funds that are deposited directly into the Environmental License Plate Fund would be an appropriate funding source for these activities. However, since the Environmental License Plate Fund is fully subscribed it would require a reduction in activities at another department to facilitate the transfer to the commission.

Another potential funding source could come from an increase in Coastal Commission permitting fees. In the 2004 budget deliberations, legislation was considered that would increase the Coastal Commission's permitting fees so that they covered approximately 50 percent of the cost of the permitting program and would limit the transfer of fee revenues to the State Coastal Conservancy to \$500,000. An increase in the permit fee would generate approximately \$3 million. A portion of the budget savings created by this fee increase could be redirected to provide one-time funding to implement the LAO's recommendations related to OTDs. The LAO finds that the Coastal Commission's current permit fee schedule is much lower than comparable fees charged by local governments and that fee funding is a more appropriate funding source for the program since the permittees are direct beneficiaries of the commission's permitting activities.

**Staff Recommendation.** Staff recommends that the Subcommittee direct staff, the LAO, and the administration to work on trailer bill language to implement the LAO's recommendations and to develop options for funding the LAO's recommendations.

## 2. Review of LNG and Off-Shore Oil Leases

**Background.** The California Coastal Commission permits all development within the coastal zone, which includes new liquefied natural gas (LNG) terminals on the coast and associated pipelines related to new LNG terminals and existing marine oil terminals (MOT). The Commission is required to review these proposals for their consistency with Local Coastal Plans prior to issuing a permit and is also required to engage in compliance activities to ensure that the conditions of the permit are being implemented.

The commission has a relatively small staff (approximately 4 positions) to review all energy-related applications. This is of concern given the amount of work related to the court ordered review of 36 marine oil terminal leases and several complex LNG proposals that are expected to require review by the commission in the upcoming months.

**Previous Subcommittee Meeting.** At the March 14 meeting of this Subcommittee, the Secretary of Resources was directed to provide additional information on the state's overall effort for reviewing the forthcoming LNG proposals and the marine oil terminals. Staff has not yet received correspondence from the Resources Agency. Staff indicates that information provided to the Subcommittee should also include information about the funding needs at the Coastal Commission so that they can adequately review the federal marine oil terminal leases and new LNG proposals.

**Staff Recommendation.** Staff recommends that the Subcommittee hold open the Commission's budget pending receipt of workload information being prepared by the Office of the Secretary for Resources on the current and projected work required by the state agencies under the Resources Agency in reviewing LNG applications and lease extensions on the marine oil terminals.

### 3. Budget Change Proposals

**Governor's Budget.** The Governor's budget includes the following budget change proposal to augment the Coastal Commission's budget:

- **Coastal and Marine Education.** The budget proposes \$419,000 for local assistance grants from the Whale Tail Fund to support coastal and marine education programs. The department indicates that 55-65 percent of these funds will be allocated through a competitive grant process and the remainder will be allocated as targeted opportunity grants.

**Staff Recommendation.** No issues have been raised with this proposal. Staff recommends that the Subcommittee approve as budgeted.

## 3760 State Coastal Conservancy

**Background.** The State Coastal Conservancy (SCC) is authorized to acquire land, undertake projects, and award grants for the purposes of (1) preserving agricultural land and significant coastal resources, (2) consolidating subdivided land, (3) restoring wetlands, marshes, and other natural resources, (4) developing a system of public accessways, and (5) improving coastal urban land uses. In general, the projects must conform to California Coastal Act policies and be approved by the conservancy governing board.

**Governor's Budget.** The Governor's budget proposes \$69 million to support SCC in the budget year. This is approximately \$217 million less than estimated for expenditure in the current year due to a reduction in the amount of bond funding available for appropriation. The SCC is not supported by the General Fund.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Type of Expenditure</b>				
Coastal Resource Development	\$4,659	\$4,744	\$85	1.8
Coastal Resource Enhancement	3,335	4,610	1,275	38.2
Capital Outlay	278,260	59,577	-218,683	-78.6
Administration	2,905	3,174	269	9.3
less distributed administration	-2,905	-3,174	-269	0.0
<b>Total</b>	<b>\$286,254</b>	<b>\$68,931</b>	<b>-\$217,323</b>	<b>-75.9</b>
<b>Funding Source</b>				
General Fund	\$0	\$0	\$0	0.0
Special Funds	12,925	2,050	-10,875	-84.1
Bond Funds	236,894	57,248	-179,646	-75.8
Budget Act Total	249,819	59,298	-190,521	-76.3
Federal Trust Fund	4,415	2,125	-2,290	-51.9
Reimbursements	27,065	1,920	-25,145	-92.9
State Coastal Conservancy Fund	4,954	5,588	634	12.8
<b>Total</b>	<b>\$286,253</b>	<b>\$68,931</b>	<b>-\$217,322</b>	<b>-75.9</b>

## 1. Fish Passage Barrier Study

**Background.** The State Coastal Conservancy has conducted an extensive inventory of fish passage barriers in California's coastal watersheds. Some of the barrier data were collected from existing sources, while other barriers were identified in surveys commissioned by the Conservancy. The data were collected and standardized and are now managed in a database and geographic information system (GIS) that is available on the World Wide Web. The Conservancy has identified over 13,000 coastal fish passage assessment sites. Of these sites 3,300 are known fish passage barriers, 636 are known not to be barriers, and the remaining 9,000 need further evaluation.

**Data From Study is Important.** The inventory conducted by the Conservancy has been an important tool for awarding block grants to grantees for the purposes of designing fish passage improvement projects throughout coastal watersheds. This data has also been shared with other agencies involved in restoring fisheries and aids with assessments being done by other agencies involved in planning projects that improve fish passage in coastal watersheds.

**More Analysis Needed.** Additional analysis is needed to investigate the 9,000 plus fish passage sites to determine if they are barriers. The Conservancy indicates that it is conducting a minimal level of analysis to determine where future inventory and assessment efforts should be conducted if funding becomes available. However, there is little funding available for large scale inventory and assessment efforts to fill in the data gaps. Nevertheless, some work is being done to improve fish passage at known barriers utilizing bond funds appropriated to the Conservancy.

**Department of Transportation Owns Many Potential Fish Barriers.** The Department of Transportation (Caltrans) is the largest owner of potential fish barriers in the state. Many of these are in the form of culverts (over 200,000 statewide) that traverse the state's rivers and streams. Using a federal grant, Caltrans recently completed a two-year pilot program that assessed culverts in three counties on the North Coast of California. As part of the culvert assessment, the department also performed fish passage assessments that showed that approximately 80% of culverts failed to adequately provide passage for fish species of concern at all life stages. The committee recognizes that Caltrans is making efforts to address this significant issue, but Caltrans still remains out of compliance with state and federal laws such as NEPA, CEQA and the state's Fish and Game Code.

**Caltrans' Culvert Inspection Proposal Presents Opportunity.** Caltrans' 2005-06 budget proposal includes \$3.5 million and 40 positions to initiate a culvert inspection and repair program. This proposal, however, does not include resources to continue to perform fish passage assessments such as those done on the North Coast. Caltrans estimates that it would cost between \$15 and \$20 million to perform the fish passage studies on all culverts in the state's remaining coastal watersheds. This information does not, however, reflect any prioritization of watersheds or stream crossings. Staff finds that sufficient information does exist that would allow Caltrans to prioritize the most critical crossings in the remaining coastal watersheds and substantially reduce the costs of this first phase of assessment. Staff finds that Caltrans' proposed culvert inspection program presents an important opportunity to coordinate the assessment of structural integrity with a fish passage assessment.



**Caltrans Barriers Impede State's Fisheries Recovery Efforts.** Other state agencies have spent over \$200 million in the last five years on improving habitat and other efforts to recover fish species. A primary problem remains, however, in assuring that fish have access to spawning and rearing habitat. Having the information that could be provided by assessment of Caltrans' culverts would be tremendously valuable in the state's overall efforts to recover these species, many of which are listed as endangered or threatened under state and federal law.

**Staff Recommendation.** Staff recommends that the Subcommittee work with Subcommittee 4 to require Caltrans to submit a more refined estimate for costs associated with including fish passage assessments as part of their culvert inspection program on priority coastal watersheds and stream crossings. Caltrans should include in its information a description of its efforts to obtain federal or other sources of funding to assist in its efforts to address fish passage issues caused by culverts owned by Caltrans.

## 2. Public Access Program

**Background.** The California Coastal Conservancy was designated by statute to accept all access "offers to dedicate" (OTDs) that are set to expire. The Conservancy is also required to open a minimum of three OTD public accessways annually. For more on OTDs, see Issue 1 under the California Coastal Commission.

**Governor's Budget.** The budget proposal includes \$1.5 million from various special funds to support the Conservancy's public access program. These funds are used for public education projects, public access studies, and to support the Conservancy's statutory requirement to open three access OTDs annually.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal. This program may be impacted by actions taken at subsequent hearings related to the implementation of the LAO's recommendations related to OTDs.

## 3. California Ocean Protection Council

**Background.** Recent legislation (SB 1319, Burton) enacted the California Ocean Protection Act with the goal of creating better coordination among state agencies that oversee protection of coastal and marine waters. The act creates an Ocean Protection Council that is required to report to the Governor and Legislature on changes in law and policy needed to meet goals related to ocean and coastal protection.

**Governor's Budget.** The budget proposes \$1.2 million from the Environmental License Plate fund for start-up costs for the Ocean Protection Council. The revised proposal, submitted March 11, 2005, indicates that \$72,000 will be allocated for one position at the Conservancy to support the council activities. The remaining funds will be expended through contracts and grants with other public agencies, nonprofit organizations, and consultants to carry out actions in the Ocean Action Plan. These actions would include projects related to the following: (1) protection and

restoration of ocean resources; (2) ocean monitoring; (3) research; and (4) education and public information. The first meeting of the council was held on March 21.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget change proposal.

#### 4. Other Conservancy Programs

**Governor's Budget.** The Governor's budget includes the following budget change proposals to augment the Coastal Conservancy's budget:

- **Watershed Projects.** The budget proposes \$31.5 million in Proposition 50 bond funds to protect coastal watersheds, including land acquisition, restoration, and protection of land and water resources. As required by the bond, 10 percent of these funds will be used for grants to develop facilities that promote public access to natural resources.
- **Coastal Watersheds Marine Program.** The budget proposes \$4 million in Proposition 40 bond funds to restore coastal watersheds. These funds will be used for projects that reduce erosion and siltation, eradicate invasive species, remove barriers to fish passage and reduce non-point source pollution by establishing wetland areas.
- **San Francisco Bay Conservancy Program.** The budget proposes \$4 million in Proposition 40 bond funds and \$2.2 million in Proposition 12 bond funds for various projects to restore wetlands and wildlife habitat and improve public access and recreation in the San Francisco Bay Area.

The budget also proposes to revert and reappropriate funds where the original appropriation period has expired. The proposals include the following:

- **North of Gualala River Projects.** The budget proposes to revert and reappropriate \$5.2 million in Proposition 12 bond funds that have not been spent for various projects to restore wetlands and wildlife habitat in coastal watersheds north of Gualala River.
- **Santa Monica Bay Projects.** The budget proposes to revert and reappropriate \$6.8 million in Proposition 12 bond funds that have not been spent for various projects to restore the Santa Monica Bay.
- **San Diego County Streams Projects.** The budget proposes to revert and reappropriate \$600,000 in Proposition 12 bond funds that have not been spent for various projects to restore wetlands and wildlife habitat on San Diego County streams.

The **April 1 Finance letter** submitted by the administration requests the following budget amendments:

- **Reversion of Proposition 12 Funds.** The April Finance letter proposes the reversion of \$17.5 million in Proposition 12 bond funds. These are the remaining funds of around \$200 million in Proposition 12 bond funds that were allocated to the Conservancy in the 2000 and 2001 budget acts. The reversion of these funds is necessary to support the appropriations that were included in the January budget proposal.
- **Settle-Up Transfers.** The April finance letter also proposes various transfers among accounts within the Proposition 12 bond fund to more appropriately align expenditures with bond fund allocations.

- **Reappropriation of Proposition 40 Funds.** The April Finance letter proposes to reappropriate \$10 million in Proposition 40 bond funds that were allocated in the 2002 budget act. This amount is remaining from a \$160 million Proposition 40 appropriation. Some of the Conservancy's projects have taken longer to implement than previously anticipated.
- **Reimbursement Authority.** The April Finance letter proposes to increase the Conservancy's reimbursement authority by \$5 million. This will allow the Conservancy to receive and expend funds from other entities.

The administration has indicated that the Conservancy was delayed in expending some of these funds due to the passage of the Proposition 50 resources bond that provided additional funding for projects in these areas. The Conservancy has attempted to match projects to the most eligible funding source which in some cases was Proposition 50 bond funds. Therefore, some Proposition 40 bond funds were not expended as anticipated prior to the passage of Proposition 50. In addition, the Santa Monica Bay Restoration Commission process that has coordinated environmental restoration efforts in the bay has been lengthier than previously anticipated.

**Staff Recommendation.** No issues have been raised with these proposals and staff recommends that the Subcommittee approve as budgeted.

## 3820 San Francisco Bay Conservation and Development Commission

**Background.** The San Francisco Bay Conservation and Development Commission (BCDC) implements and updates the San Francisco Bay Plan and the Suisun Marsh Protection Plan. Under these plans, BCDC regulates and issues permits for (1) all filling and dredging activities in the San Francisco, San Pablo, and Suisun Bays including specified sloughs, creeks, and tributaries; (2) changes in the use of salt ponds and other "managed wetlands" adjacent to the bay; and (3) significant changes in land use within the 100-foot strip inland from the bay. The commission's main objectives are to minimize fill in San Francisco Bay and maximize public access to the shoreline.

**Governor's Budget.** The Governor's budget proposes \$4 million for support of BCDC in 2005-06, which is about the same level as provided in the current year.

<b>3820 San Francisco Bay Conservation Development Commission</b>				
<b>Summary of Expenditures</b>				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Type of Expenditure</b>				
Bay Conservation and Development	\$4,065	\$4,125	\$60	1.5
Unallocated Reduction	0	-50	-50	0.0
<b>Total</b>	<b>\$4,065</b>	<b>\$4,075</b>	<b>\$10</b>	<b>0.2</b>
<b>Funding Source</b>				
General Fund	\$3,206	\$3,204	-\$2	-0.1
Budget Act Total	3,206	3,204	-2	-0.1
Bay Fill Clean-Up and Abatement Fund	192	197	5	2.6
Reimbursements	667	674	7	1.0
<b>Total</b>	<b>\$4,065</b>	<b>\$4,075</b>	<b>\$10</b>	<b>0.2</b>

### 1. Budget Change Proposals

**Governor's Budget.** The Governor's budget includes the following budget change proposal to augment BCDC's budget:

- **Temporary Help Blanket.** The budget proposes to redirect \$30,000 from salary savings to create a temporary help blanket to allow the commission to hire temporary staff to address peak workload.

**Staff Recommendation.** No issues have been raised with this proposal. Staff recommends that the Subcommittee approve as budgeted.

## Regional Conservancies

**Background.** In order to promote the conservation of its land resources, the state has created eight regional conservancies that acquire and protect undeveloped lands in specific regions of the state. The conservancies are departments, located within the Resources Agency, which are charged with, among other things, acquiring land in specified geographical areas in order to advance specified goals. While the particular statutory goals of each conservancy differ, in general the conservancies were created to protect certain vital land resources that were endangered by development or other threats.

**Governor's Budget.** The Governor's budget proposes \$54 million for the state's eight regional conservancies. This is 55 percent less than estimated expenditures in the current year due to a reduction in the amount of bond funds available for appropriation.

<b>Summary of Expenditures</b> (dollars in thousands)	2004-05	2005-06	\$ Change	% Change
3125 - California Tahoe Conservancy	\$37,655	\$24,820	-\$12,835	-34.1
3810 - Santa Monica Mountains Conservancy	29,667	10,217	-19,450	-65.6
3825 - San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy	13,185	5,015	-8,170	-62.0
3830 - San Joaquin River Conservancy	359	374	15	4.2
3835 - Baldwin Hills Conservancy	25,812	9,065	-16,747	-64.9
3845 - San Diego River Conservancy	490	274	-216	-44.1
3850 - Coachella Valley Mountains Conservancy	10,890	505	-10,385	-95.4
3855 - Sierra Nevada Conservancy	0	3,357	3,357	0.0
<b>Total</b>	<b>\$118,058</b>	<b>\$53,627</b>	<b>-\$64,431</b>	<b>-54.6</b>

### 3125 California Tahoe Conservancy

**Background.** The California Tahoe Conservancy (CTC) acquires and manages land to protect the natural environment, provide public access and recreational facilities, and preserve wildlife habitat areas. It also awards grants to other agencies and nonprofit organizations for the purposes of its programs.

**Environmental Improvement Program.** The Environmental Improvement Program (EIP) is a multi-state and multi-agency plan to restore and protect the environment in the Lake Tahoe Basin. This program is being implemented by CTC along with the Tahoe Regional Planning Authority, the Department of Transportation, the Department of Parks and Recreation, and various entities in the State of Nevada. The Governor, as part of his environmental action plan, has proposed to update the EIP and accelerate its implementation. The Conservancy has indicated that the next update to the EIP will commence in 2005 and is projected to be completed by 2007.

**Governor's Budget.** The Governor's budget provides \$34.2 million to implement the EIP in the budget year. The Governor's budget includes budget change proposals to provide \$20.7 million to CTC for the implementation of the EIP in the budget year. The proposals for the CTC detailed below are for local assistance grants and capital outlay projects from Proposition 40 (\$11.7 million) and Proposition 50 (\$9 million).

- **Soil Erosion Control.** The budget provides \$7.5 million for local assistance grants for soil erosion control.
- **Acquisitions.** The budget provides \$1.75 million (\$250,000 for grants and \$1.5 million for capital outlay) for land acquisitions in the Lake Tahoe Basin.
- **Stream Environment Zone and Watershed Restoration.** The budget provides \$6 million (\$1.5 million for grants and \$4.5 million for capital outlay) for projects to restore degraded natural areas to help preserve water clarity in support of the EIP.
- **Wildlife Enhancement.** The budget provides \$1.5 million (\$350,000 for grants and \$1.2 million for capital outlay) for projects and acquisitions that enhance wildlife habitat.
- **Public Access and Recreation.** The budget provides \$4 million (\$2.4 million for grants and \$1.5 million for capital outlay) for projects and acquisitions that improve public access and recreational needs.

The budget also includes \$12.7 million for the Department of Transportation and \$900,000 for the Department of Parks and Recreation to implement the EIP in the budget year.

**Funding EIP Going Forward.** As mentioned above, the administration has proposed to accelerate the implementation of the EIP to restore and protect the resources within the Tahoe Basin. This will require additional funding sources in upcoming years. The Conservancy has indicated that it has sufficient bond fund allocations to fund activities through the 2007-08 fiscal year based on the current EIP. If expenditures are proposed to be accelerated, the bond funds will likely run out before that point.

**Staff Recommendation.** No issues have been raised with this proposal. Staff recommends that the Subcommittee approve as budgeted.

## 3810 Santa Monica Mountains Conservancy

**Background.** The Santa Monica Mountains Conservancy (SMMC) acquires, restores, and consolidates lands in the Santa Monica Mountains Zone for park, recreation, or conservation purposes.

**Governor's Budget.** The Governor's budget includes the following budget change proposal to augment SMMC's budget:

- **Capital Outlay and Grants.** The budget provides \$9.5 million in Proposition 50 bond funds for watershed protection projects in the upper Los Angeles river watershed and Santa Monica Bay and Ventura County coastal watersheds.
- **Opportunity Land Acquisitions and Projects.** The budget provides \$13,000 in expenditure authority from the Santa Monica Conservancy Fund. Revenues deposited in this fund are received through donations, settlements, and other sources.

**DOF Audit Issues Resolved.** In the 2004 budget negotiations, the SMMC was required to provide information to DOF and the Legislature that would increase oversight and accountability of bond funds expended by the conservancy. The DOF has indicated that SMMC has met all of the requirements included in the budget bill language included in the 2004 budget. However, budget bill language has not been amended to reflect these changes.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposals for SMMC and amend the budget bill language to reflect the settlement of issues with DOF.

## 3825 San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy

**Background.** The San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy (SGLAC) acquires and manages public lands in the San Gabriel basin, along the San Gabriel river and its tributaries, the lower Los Angeles river and its tributaries, and the San Gabriel Mountains. The conservancy acquires land to provide open space, low-impact recreational and educational uses, water conservation, watershed improvement, and wildlife and habitat restoration and protection.

**Governor's Budget.** The Governor's budget includes the following budget change proposal to augment SGLAC's budget:

- **State Operations.** The budget proposes \$515,000 to re-establish base staffing for the commission. Staffing for SGLAC had been significantly reduced when Environmental License Plate Fund expenditures were reduced during the 2004 budget process. Funding to support SGLAC would be provided from a combination of ELPF funds (\$283,000) and bond funds (\$132,000 from Proposition 40 and \$100,000 from Proposition 50).
- **Capital Outlay and Grants.** The budget proposes \$4.5 million in Proposition 50 bond funds to fund acquisitions and grants for projects consistent with the watershed and open space plan of the conservancy.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposals for SGLAC.



### 3830 San Joaquin River Conservancy

**Background.** The San Joaquin River Conservancy (SJRC) acquires and manages public lands within the San Joaquin river parkway, which consists of approximately 5,900 acres on both sides of the San Joaquin River between Friant Dam and the Highway 99 crossing.

**Governor's Budget.** The Governor's budget includes the following budget change proposal to augment SJRC's budget:

- **Parkway Development.** The budget provides \$545,000 in Proposition 40 bond funds to continue development of a San Joaquin River Parkway.
- **Public Access, Recreation, and Environmental Restoration.** The budget provides \$2 million in reimbursement authority to allow the conservancy to seek non-state funds to implement the five-year public access and recreation capital improvement program and advance its environmental restoration program.

**Wildlife Conservation Board.** The Wildlife Conservation Board (WCB) is designated to make land acquisitions on behalf of SJRC. The Governor's budget provides \$1.5 million in Proposition 40 bond funds to finance acquisitions for SJRC. The administration has also submitted a WCB April 1 letter to provide additional funding for SJRC in the budget year.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposals for SJRC.

### 3835 Baldwin Hills Conservancy

**Background.** The Baldwin Hills Conservancy (BHC) acquires and manages public lands within the Baldwin Hills area to provide recreational facilities, open space, wildlife habitat restoration, and educational services.

**Governor's Budget.** The Governor's budget includes the following budget change proposal to augment BHC's budget:

- **Conservancy Programs.** The budget proposes \$8.7 million in Proposition 40 bond funds and \$2 million in reimbursement funds for acquisitions and grants to acquire open space.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposals for BHC.

### 3845 San Diego River Conservancy

**Background.** The San Diego River Conservancy (SDRC) acquires and manages public lands within the San Diego River Area. It acquires lands to provide recreational opportunities, open space, wildlife habitat, species protection, wetland protection and restoration, and protection and maintenance of the quality of the San Diego River. This Conservancy is relatively new and does not have bond funds specifically allocated for its operations.

The **April 1 Finance letter** submitted by the administration requests the following budget amendments:

- **Capital Outlay.** The April Finance letter proposes \$500,000 in reimbursement authority for the San Diego River Conservancy. The Conservancy has submitted several applications for grant funding and believes it will succeed in obtaining at least \$500,000 in the budget year.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposals for SDRC.

## **3850 Coachella Valley Mountains Conservancy**

**Background.** The Coachella Valley Mountains Conservancy (CVMC) acquires and holds, in perpetual open space, mountainous lands surrounding the Coachella Valley and natural community conservation lands within the Coachella Valley.

### **Governor's Budget.**

- **Capital Outlay and Grants.** The budget proposes \$218,000 in Proposition 40 bond funds for capital outlay and grants for acquisition, protection, and development of lands within the Coachella Valley and the surrounding mountains.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposals for CVMC.

## 3640 Wildlife Conservation Board

**Background.** The Wildlife Conservation Board (WCB) acquires property in order to protect and preserve wildlife and provide fishing, hunting, and recreational access facilities. The WCB is an independent board in the Department of Fish and Game and is composed of the Director of the Department of Fish and Game, the Director of the Department of Finance, and the Chairman of the Fish and Game Commission. In addition, three members of the Senate and three members of the Assembly serve in an advisory capacity to the board.

**Governor's Budget.** The Governor's budget proposes \$29 million for the WCB in 2005-06, which represents more than a 95 percent reduction from the current year. This reduction is due to a significant reduction in the bond funds available for appropriation. General Fund support for this board is \$200,000, which is at about the same level of funding as in the current year.

**April Finance Letter.** The April 1 Finance letter submitted by the administration requests the following budget amendments:

- **San Joaquin River Conservancy Projects.** The April 1 Finance letter for WCB includes an additional \$1 million in Proposition 40 bond funds for capital outlay projects.
- **Reversion and Reappropriation of San Joaquin River Conservancy Funds.** The letter also proposes to revert and reappropriate \$2.5 million in Proposition 40 bond funds that were appropriated in 2002. The Conservancy was not able to encumber these funds due to unanticipated complexities and challenges related to making land purchases that support the SJRC's River Parkway Master Plan.
- **Reversion of Oversubscribed Bond Funds.** The letter proposes to revert \$19.2 million in Proposition 40 bond funds and \$25 million in Proposition 50 bond funds. These funds were appropriated by the Legislature in 2003 to meet the state's Habitat Conservation Fund obligations and free up General Fund monies that had been allocated to meet this requirement. However, since these funds were already continuously appropriated at WCB, this resulted in a double appropriation of the same funds.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the April Finance letter proposed for WCB.

## SUBCOMMITTEE NO. 2

## Agenda

Sheila Kuehl, Chair  
Bob Dutton  
Alan Lowenthal



Monday, April 18, 2005  
Upon Adjournment of Environmental Quality  
Room 112

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### Resources—Environmental Protection—Energy

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

## 3540 Department of Forestry and Fire Protection

**Background.** The California Department of Forestry and Fire Protection (CDF), under the policy direction of the Board of Forestry, provides fire protection services directly or through contracts for timberlands, rangelands, and brushlands owned privately or by state or local agencies. In addition, CDF (1) regulates timber harvesting on forestland owned privately or by the state and (2) provides a variety of resource management services for owners of forestlands, rangelands, and brushlands.

**Governor's Budget.** The Governor's budget proposes \$877 million to support CDF in the budget year. This is approximately \$6.5 million more than is estimated for expenditure in 2004-05, primarily due to proposed budget augmentations to the department's fire suppression activities. The General Fund support for this program is \$531 million, which is a \$16.5 million increase over the current year, again, primarily due to fire suppression augmentations.

<b>Summary of Expenditures</b> (dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Type of Expenditure</b>				
Office of the State Fire Marshal	\$13,271	\$13,793	\$522	3.9
Fire Protection	712,755	748,543	35,788	5.0
Resource Management	49,680	47,555	-2,125	-4.3
Capital Outlay	96,260	73,808	-22,452	-23.3
Administration	58,095	59,060	965	1.7
<i>less distributed administration</i>	<i>-57,665</i>	<i>-58,630</i>	<i>-965</i>	<i>0.0</i>
Unallocated Reduction	-1,401	-6,696	-5,295	0.0
<b>Total</b>	<b>\$870,995</b>	<b>\$877,433</b>	<b>\$6,438</b>	<b>0.7</b>
<b>Funding Source</b>				
General Fund	\$513,865	\$530,639	\$16,774	3.3
Special Funds	8,780	8,683	-97	-1.1
Bond Funds	9,379	9,296	-83	-0.9
<i>Budget Act Total</i>	<i>532,024</i>	<i>548,618</i>	<i>16,594</i>	<i>3.1</i>
Federal Trust Fund	34,739	31,309	-3,430	-9.9
Forest Resources Improvement Fund	853	4,625	3,772	442.2
Bosco-Keene Renewable Resources Investment Fund	3,757	0	-3,757	-100.0
Timber Tax Fund	30	30	0	0.0
Public Building Construction Fund	90,370	68,004	-22,366	-24.7
Reimbursements	209,223	224,847	15,624	7.5
<b>Total</b>	<b>\$870,996</b>	<b>\$877,433</b>	<b>\$6,437</b>	<b>0.7</b>

## 1. Funding for Fire Protection Equipment and Services

**Background.** The Governor's Blue Ribbon Fire Commission, established in November 2003, developed recommendations on ways to achieve a fire safe environment in the wildland-urban interface in California following the severe 2003 fires in Southern California. The commission recommended that CDF improve its capability to communicate with other jurisdictions by updating its radio equipment. The commission's report also found that CDF should begin to examine alternatives for replacement of its relatively old "Huey" helicopters. These military surplus helicopters are nearing the end of their useful life and it is not clear that additional military surplus equipment will be available to replace this equipment.

**Governor's Budget.** The budget proposal includes \$15.2 million in General Fund monies to fund fire protection equipment purchases and to improve service contracts used in fire protection efforts. The budget proposals include:

- **Obsolete Fire Apparatus and Helicopter Replacement.** The budget proposes \$10.8 million to replace fire engines and eleven firefighting helicopters. This augmentation is proposed as an ongoing augmentation to the \$6.8 million baseline funding for fleet replacement. The augmentation would increase the fleet replacement budget by over 150 percent.
- **Air Services and Logistical Support Contracts.** The budget proposes \$1.5 million in ongoing funding to cover cost increases in CDF's aircraft services and logistical support contracts. Costs associated with these contracts have increased due to higher labor rates.
- **Communication Equipment Upgrades.** The budget proposes \$2.4 million to replace radio equipment with narrowband capable equipment. (Narrowband equipment is the new generation of portable radio services that allows for two-way paging, wireless e-mail and other services.) This proposal would augment the department's budget for five years to cover the entire costs (\$12.1 million) of replacing the existing radio infrastructure. The budget also proposes \$500,000 in one-time funding to replace all CDF radio cache equipment with narrowband capable equipment.

**Fleet Replacement Proposal Needs More Justification.** As mentioned above, the administration is proposing to permanently augment its fleet replacement budget by over 150 percent. In addition, the department is planning to purchase helicopters to replace its aging military surplus fleet, which would be a new activity for the department. The department indicates that it will finance some portion of its equipment purchases.

The department has indicated that it plans to purchase 44 new fire engines with the \$10.8 million in the budget year. While this information is helpful, it does not provide a context for how this activity will fit into the department's plans for modernizing its fire equipment over time. For example, how will the \$10.8 million augmentation help the department "catch up" in its schedule for replacing obsolete vehicles? When will the department be caught up? When will the department start purchasing new helicopters and how will they be financed? This sort of information is important when approving a baseline budget increase of this magnitude.

**LAO Recommendations.** The LAO has recommended that CDF resubmit its budget proposal for fire apparatus at the May Revision. The Analyst indicates that the new proposal should include additional information on the department's overall plans for fleet replacement, including how this level of funding will affect the department's ability to "catch up" in its schedule for replacing obsolete vehicles and at what point it estimates helicopter financing will commence.

The LAO also recommends adopting budget bill language that would prohibit helicopter purchases in the budget year and would require the department to conduct a study on its helicopter requirements and options for financing those requirements. The department has indicated that it will need to start replacing its helicopters within the next five years.

**Staff Comments.** The department has provided evidence that its fire equipment is badly in need of upgrades. However, as is the case with any significant ongoing budget augmentation, the department needs to justify how this increase will help the department to “catch up” in its schedule for replacing obsolete vehicles and address the replacement needs of its aging helicopters. Without this information, it is difficult for staff or the department to determine the correct size of the fleet modernization program over time.

**Staff Recommendation.** Staff recommends that the Subcommittee do the following:

- Adopt the budget proposals to increase funding for fire protection equipment and services except for the \$10.8 million proposed for fleet modernization.
- Direct the department to provide a more detailed justification for a 150 percent permanent increase to the department’s fleet modernization budget.
- Adopt budget bill language to require CDF to conduct a study on the department’s helicopter requirements and options for financing those requirements.

## 2. Augmentation to Off-Season Fire Protection for Southern California

**Background.** The CDF provides fire protection services directly or through contracts for timberlands, rangelands, and brushlands owned privately or by state or local agencies. These areas of CDF responsibility are referred to as “state responsibility areas” (SRA). The state is not generally responsible for protecting structures, which is typically the responsibility of local fire jurisdictions. However, the growing wildland urban interface has meant that the state ends up protecting more structures in an effort to prevent fires from spreading to SRA lands. This has resulted in increased costs to the state.

**Governor’s Budget.** The Governor’s budget proposes \$9 million in ongoing General Fund monies to fund fully-staffed fire protection in five Southern California counties. Approximately \$5.7 million is proposed to support 49 new positions to fully staff the 36 fire stations in Riverside, San Bernardino, and San Diego counties year-round. About \$3.3 million will be provided to Los Angeles and Orange counties to reimburse these counties for providing fully-staffed fire protection service year-round to SRA lands within these counties. This level of funding will support three firefighters per engine year round in the five Southern California counties identified.

**Current Off-Season Fire Protection in Southern California.** Historically, the state has funded fire stations so that they are fully staffed in Southern California from about April 15 to December 15, which is considered the normal fire season. However, if there is a need, the department extends the length of time it provides full staffing beyond the normal fire season. The department funds this augmentation in staffing for the off-season by Executive Order from the Governor (accompanied by a General Fund augmentation) or by redirecting existing resources within its budget.

The department operates about 36 state-funded fire stations in Riverside, San Bernardino, and San Diego Counties. Local governments in some of these counties already contract with the state



to provide fully-staffed fire protection year-round. These contracts are referred to as “Amador Agreements” and CDF currently has nine of these agreements that provide \$800,000 in reimbursements to the state in the current year.

Los Angeles and Orange counties provide fire protection services on behalf of CDF in SRA lands. The CDF reimburses these counties, which are referred to as “contract counties.”

**Off-Season Funding Augmentation Not Justified.** The department has provided only minimal data to justify this request. The LAO has recommended deleting the funding to provide year-round staffing for Southern California because the proposal is not justified.

While there may be merit to the budget request, this sort of baseline augmentation to the department’s budget should be justified by an analysis which justifies the need to have the same level of services year-round. For example, data could show an increase in the number and/or intensity of wildland fires during the off-season. Furthermore, the proposal does not provide sufficient information on how the requested funds will be used by contract counties to provide additional services to benefit the state or how they will impact revenues currently being collected from Amador agreements with some local governments.

The department has indicated that this increased level of staffing during the off-season will allow CDF to increase its fuel reduction activities, including the enforcement of 2003 legislation (SB 1369, Kuehl) that expands the defensible space requirement around homes to 100 feet. However, the department has not provided information on how these activities would be enhanced under this augmentation.

**Staff Recommendation.** Staff recommends that the Subcommittee direct the department to provide the following information:

- An analysis that justifies the augmentation to off-season fire protection resources in the five Southern California counties.
- Information on how contract counties will use increased funds to provide additional services to benefit the state and how the Amador agreements will be impacted by this proposal.
- Analysis on how fuel reduction activities will be enhanced by augmenting off-season fire protection resources.

### 3. Legislative Oversight of CDF’s Budget

**Background.** It is current standard administrative practice for the Department of Finance (DOF) to approve the expenditure of unanticipated federal funds during the course of the budget year. This process is referred to as the Section 28.00 process. Unanticipated federal funds exceeding \$200,000 require notification to the Legislature 30 days prior to approval by DOF.

When a department has several different programs within its jurisdiction, it is common practice to schedule budgetary expenditures among its programs in the budget bill. In most cases, these schedules are parallel to how expenditures are presented in the Governor’s budget document. If a department wants to move appropriation authority among the programs scheduled in the budget

bill, it is required to submit a Section 26.00 notification to DOF. If the transfer is in excess of \$200,000, notification to the Legislature is required 30 days prior to approval of the transfer by DOF.

**Governor's Budget.** Currently, CDF is generally exempt from the Section 28.00 process, which reduces the Legislature's oversight over how CDF is expending its resources.

In addition, CDF does not schedule budgetary expenditures in the budget bill in a manner that is similar to the way in which expenditures are presented in the Governor's budget. This lack of scheduling enables the department to transfer funds among program areas without legislative notification.

**Legislative Oversight Reduced by Exemption from Section 28.00 Process.** The department has been exempt from the Section 28.00 process since the 2002-03 budget. The department indicates that the number of reimbursements received from the federal government during a given year make it cumbersome to go through the Section 28.00 process for each reimbursement payment from the federal government. However, it is not clear that all of these reimbursement payments are actually *unanticipated*. Only unanticipated federal funds are subject to the Section 28.00 process.

The LAO has found that exemption from the Section 28.00 process has resulted in the department expending federal funds that have not been appropriated by the Legislature. For example, the LAO's review found that in 2003-04, the department used about \$39 million in unanticipated federal funds to, in effect, augment programs in various areas of the department's budget. This type of diversion of funds circumvents the Legislature's appropriation authority.

**Lack of Scheduling in Budget Act Reduces Legislative Oversight.** As mentioned previously, the department's support budget is not scheduled among its four program areas in the budget act. This further impairs legislative oversight because it enables the department to move funding around without notification of the Legislature through the Section 26.00 process. For example, the department's resource management activities could be reduced to augment its fire suppression activities in any given year or vice versa.

**LAO Recommendations.** The LAO recommends the following actions to improve legislative oversight of cost recoveries from federal agencies:

- **Require Legislative Notification for All Unanticipated Federal Funds.** The LAO finds that this can be done by removing budget bill language that currently exempts CDF from the Section 28.00 process.
- **Recommend Scheduling of Budget Bill Appropriations.** The LAO recommends that, within the department's overall budget bill appropriation item, the Legislature schedule individual amounts by program area.

**Staff Comments.** The department has indicated that it would not be "in the interest of government efficiency" to require the department to adhere to the normal Section 28.00 process. However, staff finds that it is important for the Legislature to be notified of unanticipated federal funds that are received by the department. The department is currently required to submit

quarterly updates of the General Fund being expended on emergency fire suppression. Without notification of federal reimbursements, the Legislature cannot determine the actual cost to the state of the department's fire suppression activities.

Furthermore, the department manages other important programs that do not involve fire suppression. It is important that the Legislature be notified if funds are being shifted among different program activities at the department.

**Staff Recommendation.** Staff recommends that the Subcommittee direct staff, the LAO, DOF, and the department to work together on budget bill amendments and reporting requirements that will allow the Legislature to receive notification of unanticipated federal funds and provide a schedule of appropriations by program area.

#### 4. Funding for Forest Resources Assessment and Enhancement Programs

**Background.** Revenues generated from timber harvesting in state-owned forests are deposited into the Forest Resources Improvement Fund (FRIF). Most of this revenue has historically been generated from timber harvesting on the Jackson State Demonstration Forest. These funds have historically been the sole ongoing funding source for forest resource assessment and enhancement programs such as forest pest research and management, forest and rangeland assessment activities, nurseries, management of the state's forests and urban forestry programs. However, since timber harvesting in Jackson State forest has been the subject of ongoing litigation, there has been little revenue to fund activities that enhance the state's forest resources and support forest regulatory programs.

In the current year, forest resource assessment and enhancement programs are being funded by \$3.5 million in one-time monies from the Renewable Resources Investment Fund. This was a significant reduction in funding for activities that enhance forest resources. Funding for these activities was approximately \$12 million prior to the lawsuit that eliminated timber harvesting at the Jackson State forest.

**Governor's Budget.** The Governor's budget estimates that \$7 million in revenue will be generated from the sale of forest products harvested on state forest land in the budget year. The budget proposes to expend \$4.6 million of these revenues on forest resources enhancement programs. This proposal assumes some resolution of the current moratorium on timber harvesting in the Jackson State forest.

**Jackson State Forest Issues Still Unresolved.** The Governor vetoed legislation (SB 902, Chesbro) in 2004 that would have provided relief to the moratorium on timber harvesting at Jackson State forest. The department has indicated that it is continuing to work on a court-ordered Environmental Impact Report (EIR) required by the court overseeing the lawsuit in order for timber to be harvested on Jackson State forest in the budget year. The department has indicated that it will release a draft of the EIR for public comment in May of this year. If this

draft EIR does not satisfy the court or the plaintiff, timber harvesting on Jackson State forest will very likely be further delayed.

**FRIF Revenues Uncertain.** There continues to be great uncertainty related to whether the department will ultimately produce an EIR that satisfies the court and the plaintiff. Therefore, it is uncertain whether the FRIF revenues assumed in the department's budget can be relied upon. As mentioned above, the Governor vetoed legislation that would have assured some level of timber harvesting on the Jackson State forest in the budget year.

**Funding for Forestry Programs Should Be More Diversified.** While FRIF funds are an appropriate funding source for state forest assessment and enhancement activities, the state's funding needs for these activities are not directly related to the amount of forest harvesting that occurs on state forest lands. Therefore, the level of funding for these programs should not necessarily be linked to the amount of FRIF revenues available in any given year. In order to provide a more stable funding stream for these programs, other funding sources should be considered. Appropriate funding sources include the General Fund, Environmental License Plate Fund revenues, and timber harvest plan fee revenues. Timber harvest plan fee revenues are an appropriate funding source for activities related to forest resource assessments, since the department utilizes this information to review the various impacts of timber harvest plans on the environment.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this issue open until the department has released its draft EIR for public comment and direct staff, the LAO, DOF, and the department to work on more certain options for funding forest resource assessment and enhancement programs. Options to be considered should include:

- Enacting trailer bill language similar to the legislation contained in SB 902 that would guarantee FRIF revenues in the budget year.
- Redirection of General Fund from other department activities such as administration to fund forest resource assessment and enhancement activities.
- General Fund augmentation.

## 5. Capital Outlay

**Governor's Budget.** The budget proposes to expend \$47 million for capital outlay projects to improve CDF facilities in 2005-06. Approximately \$42 million is proposed to be funded by lease revenue bonds and the remaining \$5 million is supported by the General Fund. The proposed projects are as follows:

- **Replace Various Forest Fire Stations.** The budget proposes \$30.4 million from lease revenue bonds to fund the development of preliminary plans, working drawings and to construct new facilities at the following locations: Boonville, Bridgeville, Cloverdale, Colfax, Nevada City, and Weott. Most of these facilities were built in the 1950s, have fallen into disrepair and have inadequate facilities.
- **Construct a New Ukiah Air Attack Base.** The budget proposes approximately \$10 million from lease revenue bonds to acquire additional land, develop preliminary plans and working drawings and for construction. The current facilities are 45 years old and are not large enough to serve larger aircraft.

- **Statewide Communications Facilities.** The budget proposes \$2.7 million from the General Fund to support preliminary plans and working drawings to replace nine communication facilities statewide. This is the third phase of communications towers to be replaced as part of the Tower and Vault Master Plan that was adopted to convert all telecommunications sites to digital technology.
- **Upgrade Water and Wastewater System at Conservation Camps.** The budget proposes \$2.1 million from the General Fund to upgrade water and wastewater systems at five conservation camps to comply with current water quality regulations. These facilities house inmate hand crews that are utilized by CDF for fire suppression and other non-fire emergencies. The facilities to be upgraded include: Bautista (Riverside County), Eel River (Humboldt County), Rainbow (on the border of San Diego and Riverside Counties), Trinity River (Trinity County), and Washington Ridge (Nevada County).
- **Auto Shop Replacement at Santa Clara Unit Headquarters.** The budget proposes \$1 million from lease revenue bonds to augment funds appropriated in prior budget years for working drawings and construction of a new auto shop. The auto shop being replaced is 45 years old, is not big enough and does not provide an environmentally safe working area.
- **Relocate Sweetwater Fire Station.** The budget proposes \$393,000 from lease revenue bonds to augment funds appropriated in prior budget years for construction of a new fire station. This cost increase is due to new cost-per-square-foot standards developed by the Department of General Services. The Sweetwater fire station serves the San Antone valley west of San Jose and east of Interstate 5.
- **Replace Water Supply System at Bear Valley Fire Station.** The budget proposes \$294,000 from the General Fund for preliminary plans and working drawings to replace the water supply system. The current system provides a restricted water supply that is of marginal quality. The department has not yet completed its evaluation of how best to replace the current water supply system.
- **Relocate Hollister Air Attack Base.** The budget proposes \$269,000 from the General Fund for preliminary plans to construct a new air attack base. The Hollister facility is the primary fire control facility in the central coast area and is located at the Hollister airport. The current facility is not large enough to handle the air traffic required during a fire fight and many of the facilities do not comply with FAA requirements.

**Bear Valley Plans Not Ready.** The LAO has found that the \$294,000 General Fund proposed to begin preliminary plans and working drawings to replace the water system at the Bear Valley Forest Fire Station is premature. The department has not yet defined the scope or costs of the project. The department has a study underway that is anticipated to be completed this spring. The LAO recommends withholding action on this item until the department defines the scope and costs of the project.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt the capital outlay proposals except for the \$294,000 General Fund proposed for the Bear Valley project. The Bear Valley project should remain open until the department has submitted its scope and costs for the project.

## 6. Fuels Management Activities

**Background.** Five years of severe drought have left Southern California forests vulnerable to bark beetle infestation. Approximately 130,000 acres on non-federal land in Southern California have already been impacted by bark beetle infestations. In some areas, 100 percent of the existing conifer species have died and mortality is increasing in all other areas. This has created a severe fire hazard and is devastating to forest ecosystems and watersheds in this area of the state.

Fuels management activities create a related problem of how to deal with the biomass created. Prescribed burning does not have this problem, but is not a practical option in some of these areas given the extremely arid conditions and issues related to air quality.

**Governor's Budget.** The budget proposal includes funding for the following fuels management activities:

- **Fuels Management in Southern California.** The budget proposal includes \$14.4 million in federal funds for a three year program to treat forest fuels in Southern California. Of this funding, \$6.9 million was allocated in the current year (through a Section 28.00 letter), \$3.8 million is proposed to be expended in the budget year, and \$3.7 million is proposed to be expended in 2006-07. Approximately \$1.9 million annually is proposed to fund 20 limited-term positions to support the fuels management programs over the three year period. Matching funds required by the federal government are being provided by in-kind contributions of tree removal by Southern California Edison.
- **Improved Utilization of Biomass.** The budget includes \$1.4 million in federal funds for a three year program to improve utilization of biomass waste created by forest fuels management activities. Of this funding, \$840,000 is proposed to be expended in the budget year and \$270,000 is proposed to be expended in both 2006-07 and 2007-08. These funds are proposed to fund contracts to improve biomass utilization in the state, including studies to assess fuel loads and the economic potential of the biomass waste stream. A cooperative co-generation project is also being proposed along with a media campaign to encourage utilization of biomass. This effort will be coordinated with the various other state agencies involved in this activity, including the Integrated Waste Management Board and the California Energy Commission.

**More Details Needed on Fuels Management Proposal.** The administration has provided general information on how these funds will be used, but has provided relatively little information to justify the number of positions requested. For example, the department indicates that it will take an active role in providing technical assistance to landowners in removing dead and diseased trees and in directing the disposal of the biomass materials. They also plan to support a significant replanting and reforestation effort that includes producing one million trees annually for planting. However, the proposal does not provide a breakdown of how these funds and positions will be used to support these activities.

**Fuels Management in the Sierra Nevada Update.** The Legislature approved \$39 million in Proposition 40 bond funds, in the current year, for fuel reduction activities over the next several years in the Sierra Nevada. The department indicates that it is proceeding with allocating \$3.2 million in grants to local fire safe councils to start these activities. The department is also continuing to work with the Department of Fish and Game on its programmatic timber EIR that

will allow the department to do fuel reduction work over the next few years under one environmental permit. The department has also indicated that it is working with the California Conservation Corps to provide assistance in its fuel reduction work in the Lake Tahoe area.

**Staff Recommendation.** Staff recommends withholding action on the Southern California fuels management proposal until more details have been provided on how funds will be spent to support this proposal, including information to justify the proposed staffing level.

## 7. Other Budget Change Proposals

**Governor's Budget.** The Governor's budget includes the following budget change proposals:

- **Unemployment Insurance.** The budget proposes \$4.1 million ongoing General Fund support to fund increased costs associated with unemployment insurance. This represents nearly a 100 percent increase in funding for unemployment insurance. The increase is required due to recently enacted legislation that increased the amount paid out for unemployment insurance and offers unemployment benefits to students who quit work in order to return to school. Many of CDF's seasonal firefighters are students.
- **Computer Aided Dispatch (CAD) System.** The budget proposes \$840,000 from the State Emergency Telephone Number Account to continue the implementation of a new CAD system that has greater capacity. This system is used by CDF to link to 911 operators so that they may receive information regarding the location of emergencies quickly and efficiently. This project upgrade was started in 1999 and is nearing completion. An additional \$881,000 payment is projected for 2006-07, after which some level of funding will be needed for ongoing maintenance of the system starting in 2007-08.
- **Pipeline Safety.** The budget proposes \$489,000 from the Hazardous Liquid Pipeline Safety Fund for support of 5 new positions for the Pipeline Safety Division of the State Fire Marshal. This division exercises safety, regulatory, and enforcement authority over intrastate and interstate hazardous liquid transportation pipelines. The division acts as an agent for the U.S. Department of Transportation in regulating these pipelines and additional positions are needed to implement new federal program criteria.

**Staff Recommendation.** No issues have been raised with these proposals and staff recommends that the Subcommittee approve the budget proposals.

## 8. Disabled Contractors

**Background.** Existing law provides that state agencies have a goal of assigning 3% of contracted services to certified disabled veteran businesses. Staff is concerned that CDF is not meeting this state goal. The department has acknowledged past lapses in meeting this goal, but believes it has made significant progress with this objective. On the other hand, all parties acknowledge that the goal is just that, and is not as strong as a binding requirement for a certain percentage of contracts to go to qualified disabled contractors. For example, certified small businesses are entitled to a 5% competitive advantage with certain bids to state agencies. Disabled contractors are not covered by this provision nor are they guaranteed a contract even

when their price is the same as that of a non-disabled contractor. Similarly, state agencies, including CDF, do not set aside a specific portion of their contracting budgets for certified disabled contractors.

**Staff Recommendation.** The Subcommittee may wish to direct staff to get more information on this, consult with CDF and disabled contractors, and develop recommendations to bring back for a future hearing.



## 3790 Department of Parks and Recreation

**Background.** The Department of Parks and Recreation (DPR) acquires, develops, and manages the natural, cultural, and recreational resources in the state park system and the off-highway vehicle trail system. In addition, the department administers state and federal grants to local entities that help provide parks and open-space areas throughout the state. The state park system encompasses 277 units, including 31 units administered by local and regional agencies. The system contains approximately 1.4 million acres, which includes 3,800 miles of trails, 300 miles of coastline, 800 miles of lake and river frontage, and about 14,800 campsites. Over 80 million visitors travel to state parks each year.

**Governor's Budget.** The Governor's budget proposes \$430 million for DPR in 2005-06, which is a 60 percent reduction from expenditure levels in the current year. This decrease is due to a reduction in the bond funds available for park projects in the budget year. General Fund support for DPR is proposed to increase by 16 percent in the budget year due to additional funding to implement the American's with Disabilities Act transition plan and employee compensation increases.

<b>Summary of Expenditures</b> (dollars in thousands)		2004-05	2005-06	\$ Change	% Change
<b>Type of Expenditure</b>					
Support of the Department of Parks and Recreation		\$299,803	\$337,503	\$37,700	12.6
Local Assistance Grants		461,166	44,087	-417,079	-90.4
Capital Outlay		305,063	49,643	-255,420	-83.7
Unallocated Reduction		0	-1,567	-1,567	0.0
<b>Total</b>		<b>\$1,066,032</b>	<b>\$429,666</b>	<b>-\$636,366</b>	<b>-59.7</b>
<b>Funding Source</b>					
General Fund		\$86,768	\$100,976	\$14,208	16.4
Special Funds		255,426	208,309	-47,117	-18.4
Bond Funds		612,948	52,805	-560,143	-91.4
Budget Act Total		955,142	362,090	-593,052	-62.1
Federal Trust Fund		70,952	29,052	-41,900	-59.1
Reimbursements		39,221	37,575	-1,646	-4.2
Harbors & Watercraft Revolving Fund		717	689	-28	-3.9
California Missions Foundation Fund		0	260	260	0.0
<b>Total</b>		<b>\$1,066,032</b>	<b>\$429,666</b>	<b>-\$636,366</b>	<b>-59.7</b>

## 1. American Disabilities Act Upgrades

**Background.** As a result of a lawsuit, DPR is required to spend \$110 million over 14 years (beginning in 2002-03) for modifications to existing state park facilities in order to make state parks more accessible to visitors with disabilities. These modifications include modifying restrooms, parking areas, picnic sites and trails, to allow for greater access.

**Governor's Budget.** The budget proposes about \$11.8 million for the continued implementation of the transition plan. Of this amount, \$11.2 million is from the General Fund and \$600,000 is from the Off-Highway Vehicle Fund.

**LAO Recommendation.** In order to find General Fund savings, the LAO has identified options for shifting support for the ADA projects to bond funds and federal funds. The Analyst indicates that \$3.4 million in unallocated Proposition 12 bond funds could be pieced together with \$5 million in federal funds, and \$2.8 million in Proposition 12 bond funds redirected from other projects.

**Impact of Redirection.** The redirection of these funds would result in less funding available for development and restoration work at existing park facilities. Funding for the department has been reduced significantly over the past several years. General Fund support for the department is at the lowest point since before 1999-00. While user fees have been increased to cover some of the General Fund reductions, the department continues to be funded at only 35 percent of its overall needs related to ongoing maintenance and development of its resources so that visitors from around the world can enjoy our park system.

**Staff Recommendation.** Staff recommends that the Subcommittee approve General Fund support of the ADA upgrades given the concerns raised by the department and ongoing concerns regarding systemic under-funding of the department.

## 2. Hearst Acquisition Staffing

**Background.** The state closed escrow on a conservation plan for the 82,000 acre Hearst Ranch earlier this year. This transaction included the transfer of most of the coastal properties to DPR and a conservation easement that will cover the remaining property. The property transferred to DPR includes 1,000 acres and 13 miles of coastal property (excluding 613 acres at San Simeon Point, Ragged Point, and Pico Cove). The transaction cost the state \$80 million in cash and \$15 million in tax credits.

**Governor's Budget.** The budget includes \$1.3 million from the General Fund and 7 new positions to support the initial phase of management and operation of the state-owned properties, as well as terms and conditions of the conservation easement related to San Simeon Point, Ragged Point, and Pico Cove.

**Terms and Conditions of Conservation Easement.** The department has indicated that it has various responsibilities under the terms and conditions of the conservation easement. These include the development and implementation of a public access plan, a coastal trail, and a resource management plan. Public access has been permitted on the property prior to the acquisition by DPR. However, the department is concerned that this uncontrolled public access is negatively impacting sensitive resources on the property. The initial level of staffing will allow the department to begin to operate and manage the property under the terms and conditions set out in the conservation easement.

**What Other Needs Are Out There?** Staff recognizes that the Hearst acquisition is a significant addition to the state park system, but there have been numerous other acquisitions over the past several years that did not receive specific augmentations in funding. Staff is concerned that there are other properties in the system that are also in need of initial staffing for start-up operations.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this issue open pending receipt of additional information from the department regarding other recent park acquisitions and the staffing needs at other parks for start-up operations.

### 3. State Park Fees

**Background.** The department implemented an \$18 million increase in state park visitor fees in the current year to facilitate a \$15 million General Fund reduction. This increased the percentage of the department's operating costs that will be funded by visitor fees from 18 percent to 24 percent. The department implemented this fee increase based on "market" factors, including a consideration of other competing recreational opportunities (both public and private) in the vicinity of the park, visitor demand for the park, the time of year, and the particular service features at a park. This has resulted in a greater differential in fees among and within parks under the new schedule.

**Governor's Budget.** The budget proposes to increase state park fees by \$6 million to cover costs associated with upgrading outdated water and wastewater systems at various state park facilities. These upgrades are required to comply with state water quality and drinking water requirements.

**Fee Program Supplemental Report.** When the fee increase was approved in the current year, supplemental report language was adopted to require the department to provide information on the impacts of the administration's fee policy on visitation and whether revenues were consistent with projections. The department's report indicates that visitation was up in the fall of 2004 despite the fee increases and revenues are on track to reach projected revenue targets in the current year. The report outlined the following ranges for park fees:

- Developed Campsites. \$11 to \$25.
- Undeveloped (Primitive) Campsites. \$9 to \$15.
- Day Use. \$4 to \$14.

**Staff Recommendation.** Staff recommends the Subcommittee approve the fee increase given the state's current fiscal condition.

## 4. Concession Proposals

**Background.** Under current law, the Legislature is required to review and approve any proposed or amended concession contract that involves a total investment or annual gross sales over \$500,000. In past years, the Legislature has provided the required approval in the supplemental report of the budget act.

**Governor's Budget.** The budget proposal includes four concession proposals that require legislative approval. These proposals include:

- **Candlestick Point State Recreation Area.** Proposal to operate parking facility for up to 10 years with the state receiving 90 percent of the sales at a minimum capital investment of \$25,000.
- **Crystal Cove State Park - Lodging.** Proposal to operate lodging for up to 20 years with the state receiving \$30,000 or 2 percent of sales at a minimum capital investment of \$450,000 and 12 percent of sales to a facility improvement fund.
- **Crystal Cove State Park – Food Services.** Proposal to operate food services for up to 20 years with the state receiving \$90,000 or 10 to 12 percent of sales at a minimum capital investment of \$325,000.
- **Carnegie State Vehicular Area.** Proposal to operate a store for up to 20 years with the state receiving \$70,000 or 8 percent of annual gross sales at a minimum capital investment of \$350,000.
- **Angel Island State Park.** Proposal to operate a ferry service to Marin County for up to 20 years with the details to be determined.

**LAO Recommendation.** The LAO recommends that the Legislature withhold action on the proposal to provide ferry services between the mainland of Marin County and Angel Island State Park. They have found that the department has not yet completed the economic feasibility study that is used to determine the minimum revenue share to be paid to the state. The DPR anticipates the report will be completed this spring.

**Staff Recommendation.** Staff recommends that the Subcommittee approve all of the concession proposals except for the Angel Island State Park proposal. This proposal should be kept open pending additional information from the department.

## 5. Other Budget Proposals

**Governor's Budget.** The budget includes the following budget change proposals related to the department's support budget:

- **Stanford Mansion.** The budget includes \$1.8 million in reimbursement funding for the department to operate the newly restored Stanford mansion, including providing resource protection, public access, educational tours, and protocol events for the Governor and Legislature.
- **Staffing.** The budget proposes the conversion of 5.4 seasonal temporary positions to permanent positions to address current workload deficiencies at the State Capitol Museum and at the department's public safety dispatch centers.

The budget also proposes funds for the local assistance program from bond funds, special funds and federal funds for grants to various agencies. The details of the proposal are as follows:

### Local Assistance Program

*(Dollars in Thousands)*

Fund Source	Recreational Grants	Local Projects	OHV Grants	Historic	Total
				Preservation Grants	
Proposition 12 Bond Funds	\$835	-	-	-	\$835
Habitat Conservation Fund	3,092	1,500	-	-	4,592
Off-Highway Vehicle Trust Fund	-	-	18,000	-	18,000
Recreational Trails Fund	5,000	-	1,200	-	6,200
Federal Trust Fund	13,000	-	-	1,200	14,200
California Missions Foundation Fund	-	-	-	260	260
<b>Total</b>	<b>\$21,927</b>	<b>\$1,500</b>	<b>\$19,200</b>	<b>\$1,460</b>	<b>\$44,087</b>

**Staff Recommendation.** No issues have been raised with these budget change proposals. Staff recommends the Subcommittee approve as budgeted.

## 6. Capital Outlay

**Governor's Budget.** The budget proposal includes \$39.3 million to fund various capital outlay development projects and acquisitions in the budget year. Approximately \$7.5 million is for statewide acquisitions, \$5.6 million is for off-highway vehicle acquisitions, and \$29.5 million is for capital outlay projects to develop and improve existing DPR facilities. The majority of the funding for these projects and acquisitions comes from Proposition 40 bond funds.

**Development of Existing Park Facilities.** The budget includes the following proposals to develop and improve existing park facilities:

- **Structural Improvements to Antelope Valley Indian Museum.** The budget proposes \$149,000 from Proposition 12 bond funds for preliminary plans and working drawings to make structural improvements to the museum building and to replace the heating and cooling system.
- **Water Improvements to Big Basin Redwoods SP.** The budget proposes \$236,000 from Proposition 40 bond funds for preliminary plans to improve the water treatment plant, the water storage tanks and the distribution system.
- **Development of Chino Hills SP.** The budget proposes \$12.4 million from Proposition 40 bond funds for construction and equipment required to develop a new entrance road and associated infrastructure to allow formal access to the park.
- **Drainage Improvements at Columbia SHP.** The budget proposes \$144,000 from Proposition 12 bond funds for preliminary plans to enlarge selected culverts to improve drainage and alleviate flooding problems at the park.

- **Rehabilitate Malibu Creek SP Facilities.** The budget proposes \$3.8 million from Proposition 40 bond funds for working drawings, construction and equipment to rehabilitate day use facilities at the Tapia area of the park.
- **Rehabilitate Millerton Lake SRA Facilities.** The budget proposes \$200,000 from Proposition 12 bond funds for preliminary plans to rehabilitate and expand day use facilities at the La Playa day use area at the state recreation area.
- **Preservation at Plumas-Eureka SP.** The budget proposes \$205,000 from Proposition 40 bond funds for preliminary plans to provide for long-term stabilization and preservation of the historic stamp mill at the park.
- **Water Improvements at Samuel P. Taylor SP.** The budget proposes \$1.7 million from Proposition 40 bond funds for working drawings and construction to replace the water storage system at the park.
- **Replace Lifeguard Tower at San Elijo SB.** The budget proposes \$418,000 from Proposition 12 bond funds for the preliminary plans and working drawings to construct a replacement lifeguard headquarters building in a new location at the beach.
- **Ruin Stabilization at Shasta SHP.** The budget proposes \$1.9 million from Proposition 40 bond funds for working drawings and construction to stabilize twelve gold rush period historic structures at the park.
- **Improvements at Topanga SP.** The budget proposes \$1.5 million from Proposition 40 bond funds for construction and equipment to improve public use facilities at Trippet Ranch, Hub Junction, and Los Lions Canyon.
- **Budget Development.** The budget proposes \$500,000 from Proposition 12 bond funds for development of future projects statewide.
- **Reimbursements.** The budget proposes \$3 million from reimbursement funds to allow the department to receive reimbursement funds for various projects statewide from other departments and entities.

**Minor Capital Outlay.** The budget includes the following minor capital outlay proposals:

- **Interpretative Exhibits.** The budget proposes \$500,000 from Proposition 12 bond funds for interpretive exhibits at Ford Ord Dunes State Park, Crystal Cove State Park, New Brighton State Beach, and Point Cabrillo Light Station.
- **Statewide Off-Highway Vehicle Projects.** The budget proposes \$2.2 million from the Off-Highway Vehicle Fund for sediment pond development at Prairie City SVRA, Tule Lake trail restoration, sediment basin redevelopment, and school house hill restoration at Hollister SVRA, hill slope restoration at Carnegie SVRA, and restoration barricades at Hungry Valley SVRA.
- **Recreational Trails.** The budget proposes \$250,000 from Proposition 12 bond funds for: Independence Trailhead construction at South Yuba River SP, Fern Creek Trail Bridge replacement at Mount Tamalpais SP, Redhill Loop construction at Sonoma Coast SB and Lighthouse Trail rehabilitation at Point Sur SHP.
- **Other Minor Projects.** The budget proposes \$475,000 from Proposition 12 bond funds for improvements to the Middle Pine Camp at D.L. Bliss SP.

**Off-Highway Vehicle Acquisitions.** The budget includes the following Off-Highway Vehicle (OHV) acquisitions:

- **Bakersfield OHV Park Project.** The budget includes \$5 million in OHV funds for acquisition of land in the Bakersfield area for a new State Vehicular Recreation Area (SVRA).
- **Budget Development.** The budget proposes \$600,000 in OHV funds for development of future projects and acquisitions.

**Acquisitions.** The budget includes the following proposed acquisitions:

- **Statewide Habitat Conservation Fund (HCF) Acquisitions.** The budget proposes \$1 million from the HCF to acquire habitat lands adjacent to state park lands to support the protection of wildlife habitat.
- **Federal Trust Fund Acquisitions.** The budget proposes \$5 million from federal trust funds to potentially acquire properties for the Anza-Borrego Desert SP, Redwood parks, Santa Cruz Mountains parks, and other statewide acquisitions. Funds will also be used to plan and construct projects to develop park acquisitions.
- **Opportunity Acquisitions.** The budget proposes \$1.5 million from Proposition 40 bond funds to acquire properties that are adjacent to, or substantially enclosed in, existing state park lands.

**Staff Recommendation.** No issues have been raised with these proposals. Staff recommends the Subcommittee approve as budgeted.

## 0540 Secretary for Resources

### 1. Energy Reorganization

**Background.** There has been significant discussion over the past several years regarding reorganization of the state's energy agencies. Concern has been expressed regarding the number of separate boards and commissions that currently implement the state's energy policy. Currently, there are approximately four primary state agencies that handle the state's energy-related activities:

- the California Public Utilities Commission (CPUC);
- the California Energy Commission (CEC);
- the Electricity Oversight Board (EOB); and
- the California Energy Resources Scheduling (CERS) Division of Department of Water Resources.

The above list does not include the California Consumer Power and Conservation Financing Authority (CPA), which is currently defunct and the California Independent System Operator (ISO), which is technically a not-for-profit corporation created by the state.

**Governor's Budget.** The Governor's budget does not currently include a proposal for reorganization of the state's energy agencies. However, the administration is continuing to work on a proposal to reorganize the state's energy agencies.

**LAO Issues.** The LAO opines that there may be some merit in reorganizing the state's energy agencies in light of some overlapping functions. However, they have raised several issues that they think the administration should address, including:

- **Potential Conflicts of Interest.** First, potential conflicts could occur if CEC used the CRA's bonding authority to finance a power plant, thereby having a financial interest in the power plant, while at the same time being responsible for permits related to its construction. Second, EOB's market monitoring duties before the Federal Energy Regulatory Commission (FERC) could be compromised if transferred to CEC since CEC could be considered a market participant due to its renewable program.
- **Uncertainty of California's Future Electricity Market Structure.** Since the energy crisis, the state has not resolved the question of what California's ultimate electricity market will look like. Accordingly, it may be premature to reorganize components of the state's electricity regulating agencies until legislative decisions are made as to what type of electricity market these agencies will regulate in the long term.
- **Recent Developments in the Electricity Market May Reduce Demand for State Financing.** In December 2004, the CPUC adopted long-term energy procurement plans for the state's major public utilities, which will allow the utilities to more easily enter into long-term contracts with electricity generators. The increased market certainty from this decision may improve the financing market for new power plants and reduce the need for the bond financing allowed under the CPA's statute.



**Staff Recommendation.** Staff recommends that the Subcommittee leave this issue open pending receipt of a reorganization plan from the administration and direct staff to evaluate all impacts of eliminating EOB and CPA.

## 2. Liquefied Natural Gas Proposals—Informational Issue

**Background.** There are currently four projects proposed for the construction and operation of liquefied natural gas (LNG) terminals in the Port of Long Beach and off the coast of Ventura, Santa Barbara, and San Diego counties. At the March 14 meeting of this Subcommittee, the Secretary of Resources was directed to provide additional information on the state's overall effort for reviewing the forthcoming LNG proposals. Staff has not yet received correspondence from the Resources Agency.

**Debate on Regulatory Jurisdiction Continues.** The California Public Utilities Commission (CPUC) has sued the federal government, asserting that the state has regulatory jurisdiction over the development of new LNG terminals in the state. The legal debate over the regulatory jurisdiction of this activity continues. Meanwhile, development of several LNG projects continues to move forward. It is unclear whether any state agency is taking a leadership role on the development of these projects, while debate continues related to regulatory jurisdiction of LNG.

**Getting the Best Project for California.** At this point, representatives from the current administration have indicated that the market can probably only support one LNG project in Southern California. However, there are several competing proposals moving forward and all employ different technologies. It is not clear that the state currently has a process in place that would allow for a comparative analysis of these projects to ensure that California gets the best project, with the least possible impact on the environment, and which meets the highest safety standards.

## 3. Electricity Transmission Line Agreement—Informational Issue

**Background.** The Administration has recently announced, in conjunction with three other states – Wyoming, Utah, and Nevada – plans to create a new electricity transmission line. According to a press statement released from the Governor's office, the "Frontier Line", as it has been named, will deliver "renewable and conventional energy resources from wind and clean coal." The total cost of this plan is estimated at \$3.3 billion.

**Staff Comments.** This project would have a foreseeable impact on energy usage in California. The administration should provide more information regarding:

- The potential cost burden to California ratepayers for this project;
- The project's alignment with current plans for energy usage, particularly California's Renewable Portfolio Standards (RPS); and
- The role of the CPUC and other agencies in developing and implementing this program, as well as the proposed timeframe.

#### 4. Solar Homes Initiative—Informational Issue

**Background.** The “1 Million Solar Homes” initiative (SB 1, Murray and Campell) seeks to have 50% of all new homes powered by solar energy and one million solar roofs installed on residential and commercial buildings by 2018.

**Staff Comments.** This proposal, by the administration, is a sizable effort to promote solar energy. However, concerns have been raised regarding how the incentive program will be funded. The incentive program for solar roofs is central to the initiative. Considering the potential impact on ratepayers and the increased workload by the CEC and CPUC staff in implementing this program, the administration should be prepared to provide more details regarding how the plan will be implemented, the effects upon ratepayers’ utility bills, and whether the Renewable Resources Trust Fund will be used to finance the initiative.

## 3360 California Energy Commission

**Background.** The Energy Resources Conservation and Development Commission (commonly referred to as the California Energy Commission, or CEC) is responsible for forecasting energy supply and demand, developing and implementing energy conservation measures, conducting energy-related research and development programs, and siting major power plants.

**Governor's Budget.** The Governor's budget proposes \$317 million to support CEC in 2005-06. The proposed budget is approximately 17 percent less than estimated expenditures in the current year due to expenditure of a significant amount of accumulated renewable energy funding to help implement the renewable portfolio standard. The department does not receive any General Fund support.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Type of Expenditure</b>				
Regulatory and Planning	\$27,650	\$25,731	-\$1,919	-6.9
Energy Resources Conservation	30,896	21,954	-8,942	-28.9
Research and Development	327,325	276,560	-50,765	-15.5
Administration	11,399	11,522	123	1.1
<i>less distributed administration</i>	<i>-11,399</i>	<i>-11,522</i>	<i>-123</i>	<i>0.0</i>
Loan Repayments	-6,481	-7,563	-1,082	0.0
Total	\$379,390	\$316,682	-62,708	-16.5
<b>Funding Source</b>				
General Fund	\$0	\$0	0	0.0
Special Funds	362,752	302,026	-60,726	-16.7
<i>Budget Act Total</i>	<i>362,752</i>	<i>302,026</i>	<i>-60,726</i>	<i>-16.7</i>
Federal Funds	9,108	8,911	-197	-2.2
Reimbursements	6,178	5,745	-433	-7.0
Renewable Energy Loan Loss Reserve Fund	1,353	0	-1,353	-100.0
Total	\$379,391	\$316,682	-62,709	-16.5

### 1. PIER Program

**Background.** The Public Interest Energy Research Development and Demonstration (PIER) program provides grant funds to public and private entities for research, development, and demonstration of electricity-related technologies. Recent legislation directed CEC to establish an independent review panel to evaluate the PIER program. The PIER program is scheduled to sunset in 2011.

**Governor's Budget.** The total proposed budget for the PIER program in 2005-06 is \$80.1 million, funded from the PIER Fund. The budget includes the following proposals to augment the PIER program in the budget year:

- **Staffing Increase Proposed.** The budget includes \$629,000 from the PIER fund to support seven new permanent positions to manage CEC's PIER program. These new positions will enhance CEC's management of new and existing PIER research projects. The proposal follows recommendations made by the legislatively mandated independent review panel, which, among other things, recommended that CEC improve its research and development efforts by increasing project management positions.
- **One-Time PIER Grant Fund Increase.** The budget also proposes a one-time augmentation of \$10 million to fund additional energy efficiency research and development projects in 2005-06, using funds from the proposed repayment of a special fund loan made to the General Fund in a previous year.

**Long-Term Staffing Needs Addressed.** The PIER program's independent review panel has found that, in order to improve the long-term effectiveness of this program there remain requirements for additional technical and management staff to adequately select and manage the large and growing project caseload of the program. (The number of projects being managed annually by PIER staff has increased significantly and is projected to double in the budget year.) In order to address this finding, the LAO recommends the enactment of legislation requiring CEC to develop a long-term staffing plan for the PIER program. This plan should (1) identify staffing needed to adequately manage the projected caseload through 2011 and (2) evaluate and recommend the appropriate mix of contract consultants and state employees, considering needed technical expertise and overall costs.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt the budget change proposals for the PIER program and adopt placeholder trailer bill language that requires the commission to develop a long-term workload and staffing plan for the PIER program.

## 2. Augmentation of Analytical Resources

**Governor's Budget.** The Governor's budget includes the following budget change proposals to augment the commission's analytical resources by \$796,000 from the Energy Resources Program Account:

- **Energy Demand Forecasting and Analysis.** The budget proposes \$106,000 to support one new position to upgrade the commission's forecasting planning capabilities.
- **Transportation Energy Information and Analysis.** The budget proposes \$198,000 to support two new positions to analyze crude oil and petroleum product supply and inventory data.
- **Electricity Resource Procurement Analysis.** The budget proposes \$492,000 to support five new positions to analyze short- and long-term procurement and planning data to assist the CPUC's procurement process. Additional staff will also be used to work with the 25 load serving entities that are not regulated by CPUC (primarily municipal utilities) in evaluating their short- and long-term planning data.

**Staff Recommendation.** No issues have been raised with these proposals and staff recommends that the Subcommittee approve the budget proposals.

### 3. Public Interest Natural Gas Research Program

**Background.** The Legislature directed the CPUC to establish a surcharge on natural gas ratepayers to fund cost-effective energy efficiency and conservation activities and public interest research and development related to natural gas. In 2004, CPUC issued a decision that established the Public Interest Natural Gas Research Program and designated CEC as the statewide administrator of the program. This program will focus on research on and development of science and technologies that benefit natural gas end-users in all market sectors. The program will also focus on safe, efficient, and environmentally sound extraction, production, storage, transportation, and distribution of natural gas. This program is parallel to the department's PIER program which is funded by a surcharge on electricity ratepayers.

**Governor's Budget.** The Governor's budget includes \$535,000 to support 5 new positions to administer this new Public Interest Natural Gas Research Program. The CPUC has authorized \$15 million to be transferred to CEC to support this program in the budget year. This amount is scheduled to increase annually to \$24 million in 2009.

**Staff Recommendation.** No issues have been raised with this budget proposal and staff recommends that the Subcommittee approve the proposal.

### 4. Environmental Impacts of Coastal Power Plants— Informational Item

**Background.** Thermal power plants, which use once-through cooling in their processes, have been cited as sources of environmental degradation. These plants rely on ocean water for their cooling processes. During these processes, small and larger marine organisms can be pulled into the system and killed by the heat or be trapped against the screens within the intake. As these facilities age, the owners must submit plans for any proposed renovations. Renovation plans must receive approval from the CEC. The Committee has been advised that the CEC is completing a white paper on this topic, which it expects to release this summer.

**Staff Comments.** Thermal power plant projects are exempt from the permitting requirements of the Coastal Act. However, the CEC has adopted provisions to ensure that thermal power plant projects in the coastal zone are consistent with the objectives of the Coastal Act. Nevertheless, the CEC has not developed a comprehensive policy to encourage efficient water use and the most environmentally sound practices for these power plants. This is important as the Commission begins to evaluate upgrades or new plants to supplement the aging infrastructure on the coast. Furthermore, this lack of cohesive policy at the CEC is contrary to significant efforts by the administration to improve the ocean environment.

## 3860 Department of Water Resources

### California Energy Resources Scheduling Division

**Background.** The department's California Energy Resources Scheduling (CERS) division manages billions of dollars of long-term electricity contracts. The CERS division was created in 2001 during the state's energy crisis to procure electricity on behalf of the state's three largest investor owned utilities (IOUs). The CERS division continues to be financially responsible for the long-term contracts entered into by the department. (Funding for the contracts comes from ratepayer-supported bonds.) However, the IOUs manage the receipt and delivery of the energy procured by the contracts.

**Governor's Budget.** The Governor's budget proposes \$5.4 billion for electricity purchases and the administration of the CERS division of DWR. This is \$332 million, or 6 percent, below estimated expenditures in the current year, which reflects a slight reduction in the amount of electricity purchased under contract for the budget year.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Type of Expenditure</b>				
Energy Purchases	\$5,624,128	\$5,292,360	-\$331,768	-5.9
Administration	47,120	47,381	261	0.6
<b>Total</b>	<b>\$5,671,248</b>	<b>\$5,339,741</b>	<b>-331,507</b>	<b>-5.8</b>

**Status Report.** The CERS division at DWR continues to provide for fiscal management of over \$5 billion in electricity contracts entered into on behalf of the IOUs during the energy crisis. The division's electricity portfolio is expected to stay at about the same level for the next four years. A large number of the contracts begin to expire in 2010. However, additional contracts will extend beyond that deadline. The department has indicated that efforts to assign the contracts financially to the IOUs has slowed, but the CPUC is currently re-evaluating how the contracts were allocated to the utilities for management. The division also indicates that it continues to employ numerous personal service contracts and consulting companies to accomplish its work.

## 8660 Public Utilities Commission

**Background.** The California Public Utilities Commission (CPUC) is responsible for the regulation of privately owned "public utilities," such as gas, electric, telephone, and railroad corporations, as well as certain passenger and household goods carriers. The commission's primary objective is to ensure adequate facilities and services for the public at equitable and reasonable rates. The commission also promotes energy conservation through its various regulatory decisions.

**Governor's Budget.** The Governor's budget proposes \$1.2 billion to support CPUC in the budget year. This is approximately the same level of funding as is estimated for expenditure in the current year. The commission does not receive any General Fund support.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Type of Expenditure</b>				
Regulation of Utilities	\$348,239	\$349,890	\$1,651	0.5
Universal Service Telephone Programs	881,347	852,035	-29,312	-3.3
Regulation of Transportation	14,647	15,412	765	5.2
Administration	17,868	16,341	-1,527	-8.5
<i>less distributed administration</i>	<i>-17,868</i>	<i>-16,341</i>	<i>1,527</i>	<i>0.0</i>
Total	\$1,244,233	\$1,217,337	-26,896	-2.2
<b>Funding Source</b>				
General Fund	\$0	\$0	0	0.0
Special Funds	1,230,449	1,203,430	-27,019	-2.2
<i>Budget Act Total</i>	<i>1,230,449</i>	<i>1,203,430</i>	<i>-27,019</i>	<i>-2.2</i>
Federal Funds	1,034	1,052	18	1.7
Reimbursements	12,751	12,855	104	0.8
Total	\$1,244,234	\$1,217,337	-26,897	-2.2

### 1. Office of Ratepayer Advocates

**Background.** The Office of Ratepayer Advocates (ORA) was created in 1985 to represent ratepayers in CPUC proceedings. In the mid-1990s, ORA evolved into a quasi-independent entity when the Legislature required that the ORA director receive independent confirmation by the Senate and required a separate line-item budget to be submitted. Until this year, however, the administration has not submitted a line-item budget separate from the primary CPUC budget.

**Governor's Budget.** The Governor's April 1 Finance Letter makes the following proposals concerning ORA:

- **Establishes New Account.** The letter proposes that ORA be funded through the Public Utilities Commission's Ratepayer Advocate Account through a transfer from the PUC's Utilities Reimbursement Account. This creates consistency in current law, which requires a separate line-item for the ORA.
- **Water Utility Rate Cases.** The letter proposes \$81,000 from the PUC Utilities Reimbursement Account to restore one position to ORA to review rates charged by regulated water companies as required by statute.

**Concerns with Current Structure of ORA.** Recently, there has been increasing concern that ORA is simply unable to fulfill its mandate if its budget is subject to review by the CPUC, and is treated as just another division within the CPUC. Moreover, the lack of dedicated staff at ORA, particularly among the attorneys, creates a situation in which ORA is unable to successfully represent ratepayers. For example, attorneys who share assignments at both ORA and in another divisions of the CPUC may be faced with conflicts of interest. If the budget is controlled by the Commissioners, and if staff is shared, it is not unreasonable to ask how the ORA can effectively represent ratepayers, whose interests may, at times, be contrary to the decisions rendered by the Commissioners.

**Concerns with Funding Level of ORA.** Concerns have also been raised that ORA's current staffing level is not sufficient to allow for successful representation of residential customers' interests before the commission. This has been complicated by the fact that many other state and federal jurisdictions are involved in matters that directly impact residential customers, requiring ORA to spend additional time monitoring proceedings outside of the commission's regular proceedings. Furthermore, ORA's staff has been reduced by more than half from the number of positions in the office at the time of deregulation in 1996, even though there has been no reduction in the need to have a strong residential consumer perspective at the commission.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the Finance Letter proposals related to ORA and direct staff, the LAO, DOF, ORA, and CPUC to develop a proposal to provide ORA with additional autonomy over its budgetary and personnel resources and additional funding to augment the role of ORA at the commission.

## 2. Various Telecommunications Issues—Informational Item

**Bypass Ability and Universal Service.** Traditionally, services such as the telephone have been classified as telecommunications services by the Federal Communications Commission (FCC) and have, therefore, been subject to payments into state and federal universal service funds. However, the FCC has been proactive in classifying some new services, such as Voice Over Internet Protocol (VOIP), as information services. Those services classified as information services are exempt from payments into universal service funds.

- **Staff Comments.** The increase in new and existing customers, who choose to use new technologies that are exempt from universal service payments, represents a challenge to the sustainability of California's universal service programs. Though the CPUC has not



yet witnessed erosion in the customer base, they have noted that the regulated ratepayer base is no longer increasing. It is fair to assume that the base will soon begin a year-over-year decline.

**Telecommunications Bill of Rights.** In January, the Commission stayed its May 2004 decision which established the Telecommunications Bill of Rights. Between May 2004 and January 2005, a number of telecommunications providers requested extensions in complying with some or all of the consumer protections outlined in the document. There is concern that the Commission's recent action represents, not only a setback for consumer protections that were negotiated over several years, but, more importantly, a disregard for the process and eventual decision which created the Bill of Rights.

- **Staff Comments.** It is unclear how the Commission plans to proceed after the staying of the Bill of Rights. Staff is concerned that the Commission is, in a wholesale manner, tossing out years of work in this area for political reasons. Furthermore, there are ongoing issues related to consumer protection in the telecommunications industry that the Bill of Rights would have addressed. For example, staff understands that Verizon has moved its cancellation policy back to 15 days, from the 30 days it instituted after the Bill of Rights was passed. This represents a reversal of the consumer protections gained under the Bill of Rights.

**California Teleconnect Fund Program.** The Teleconnect Fund provides telecommunications subsidies to schools, libraries, public hospitals, and certain community-based organizations. In the Supplemental Report of the 2004 Budget Act, the Legislature directed the CPUC to provide a report on how the Teleconnect Program could be targeted to better meet the growing digital divide problem. That report was due to the Legislature on February 1, 2005.

- **Staff Comments.** The CPUC has advised the Legislature that this report is not yet complete, will be forthcoming in the next few weeks. The CPUC should update the Subcommittee on the report's findings and provide the anticipated completion date for the report.

### 3. Railroad Safety

**Background.** The Railroad Safety Branch of the Consumer Protection and Safety Division of the CPUC has safety oversight of heavy freight and passenger railroads. The commission conducts rail safety inspections, investigates rail accidents, approves all applications for new construction or modifications to existing highway/rail crossings, and develops new safety initiatives based on inspection and investigative activities.

A recent court case stated that the CPUC did not have regulatory jurisdiction over railroad operating practices. Therefore, in order to affect these practices, applications must be made to the Federal Railroad Administration which has regulatory jurisdiction over the operations of heavy freight and passenger railroads.

**Governor's Budget.** The budget includes funding for the following activities within the Railroad Safety Branch:

- **Heavy Rail Freight Safety.** \$3.5 million from railroad user fees.
- **Rail Crossing Safety.** \$2.5 million from the State Highway Account.
- **Light Rail Transit and Heavy Rail Passenger Safety.** \$2.4 million from the Public Transportation Account.

**Railroad Grade Crossing Accidents Increasing.** Information from the commission indicates that the rate of crossing accidents is increasing again after almost ten years of decline. In 2003, rail crossing accidents in California resulted in 111 deaths and 112 injuries. Rail crossing accidents resulted in more deaths than any other rail-related activity. The main factor impacting the increase in the rate of crossing accidents is the state's continued population growth, which results in a higher probability of person-to-railroad interaction.

**Division Has New Focus.** The Railroad Safety Branch recently went through a strategic planning effort to refocus its efforts on reducing the number of accidents and fatalities related to the railroads. The commission has established, as priorities, the following new goals:

- Develop a more strategic and proactive approach to identifying the adverse impacts of new construction located near rail corridors to resolve safety issues before the development occurs.
- Develop a systematic and detailed process for collection and analysis of data collected from near misses at rail crossings.
- Conduct investigations, to the extent possible, on all rail-related fatalities and apply the lessons learned to improving the commission's safety program.

**Strategic Plan Identified Potential Staffing Needs.** The Commission's recent strategic planning efforts have provided new information on what needs to be done to make the commission's rail safety programs more effective in reducing the number of lives lost in rail accidents. However, it is not clear that the commission has adequate staff to engage in the additional activities identified by the strategic plan.

**Staff Recommendation.** Staff recommends that the Subcommittee request that the Commission provide information on how it plans to fund activities to implement the strategic plan recently completed by the commission.

## 5. Budget Change Proposals

**Governor's Budget.** The Governor's budget includes the following budget change proposals to augment activities at the CPUC:

- **Household Goods Carrier Enforcement.** The budget proposes to shift \$521,000 from the Transportation Rate Fund to support 5.5 new positions to increase enforcement, consistent with recent legislation that addressed serious consumer protection issues dealing with household goods carriers. This proposal also requires trailer bill language to increase the maximum fee paid by the household goods carriers to enable CPUC to collect sufficient revenues to fully fund this program.

- **Utility Informal Complaint Resolution.** The budget proposes \$483,000 from the PUC Reimbursement Account to make eight limited-term positions, which process informal complaints from utility customers, permanent. The informal complaint resolution process is the primary means by which the commission identifies consumer fraud, marketing abuse and other illegal activities by utilities or entities posing as utilities. Many of these complaints concern activities targeted at non-English speakers, low-income persons, and senior citizens.
- **Facility Repairs.** The budget proposes that \$380,000 from various special funds be allocated to the Department of General Services to perform specific maintenance projects related to the CPUC's facility in San Francisco. These projects are all health and safety related.
- **Master-Meter Customer Complaints.** The budget proposes \$73,000 from the PUC Reimbursement Account to support one position to increase enforcement resources so that the commission can respond to complaints from customers at mobile-home parks that receive energy bills from master-meters. (About one-half of the state's mobile-home parks have a single, master-meter. The park owner is responsible for billing the mobile-home park tenants.)

**Governor's April Finance Letter.** The Governor's April 1 Finance letter includes the following proposed amendment to the budget:

- **Universal Lifeline Telephone Program Increase.** The letter proposes a one-time \$6 million increase in funding from the Universal Lifeline Telephone Service Trust Administrative Committee Fund to pay claims received in the current year. The Universal Lifeline Telephone Program provides reimbursements to telephone providers for providing discounted telephone service to low-income households. This funding is being redirected from the reserve balance in the fund. Efforts by the commission and the telephone companies to increase enrollment in this program has resulted in approximately 53,000 new customers in the current year and funding is not projected to be sufficient to cover all of the claims submitted.

**Staff Recommendation.** No issues have been raised with these budget proposals and staff recommends that the Subcommittee approve the proposals.

## 8665 California Consumer Power and Conservation Financing Authority

**Background.** The California Consumer Power and Conservation Financing Authority (California Power Authority, or CPA) was created by Chapter 10x, Statutes of 2001 (SB 6x, Burton), to assure a reliable supply of power to Californians at just and reasonable rates, including planning for a prudent energy reserve. The CPA was also created to encourage energy efficiency, conservation, and the use of renewable resources. The CPA is authorized to issue up to \$5 billion in revenue bonds to finance these activities. Chapter 10x also directs that the operation of the authority sunset on January 1, 2007.

**Governor's Budget.** The Governor's budget provides zero funding for CPA in the budget year. The Governor vetoed money provided for continued operations in the current year and CPA operations effectively shut down in Fall of 2004. However, the statute establishing the CPA is still current law.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Type of Expenditure</b>				
Energy Acquisition	\$10,311	\$0	-\$10,311	-100.0
Planning and Policy Development	166	0	-166	-100.0
Administration	120	0	-120	-100.0
<i>less distributed administration</i>	<i>-120</i>	<i>0</i>	<i>120</i>	<i>0.0</i>
<b>Total</b>	<b>\$10,477</b>	<b>\$0</b>	<b>-\$10,477</b>	<b>-100.0</b>
<b>Funding Source</b>				
General Fund	\$0	\$0	\$0	0.0
Special Funds	10,477	0	-\$10,477	-100.0
<i>Budget Act Total</i>	<i>10,477</i>	<i>0</i>	<i>-10,477</i>	<i>-100.0</i>
Federal Trust Fund	0	0	0	0.0
Reimbursements	0	0	0	0.0
			\$0	0.0
<b>Total</b>	<b>\$10,477</b>	<b>\$0</b>	<b>-\$10,477</b>	<b>-100.0</b>

**Status Report.** The CPA is currently not operating even though statute creating the authority continues to be current law. Staff had been apprised that administration of the authority's demand reduction program has been assumed by Pacific Gas and Electric under the supervision

of the Secretary of Business, Transportation and Housing, Sunne McPeak, who is a former member of the CPA.

## 8770 Electricity Oversight Board

**Background.** The Electricity Oversight Board (EOB) was created by Chapter 854, Statutes of 1996 (AB 1890, Brulte), which deregulated California's wholesale electricity industry. The board was created to oversee the California Independent System Operator (ISO), which manages the transmission grid serving most of California, and the Power Exchange (PX), which, for a time, was the marketplace through which all electricity in the state was bought and sold. The EOB was also given very broad authority over ensuring reliability of the state's supply of electricity.

**Governor's Budget.** The Governor's budget proposes \$3.9 million to support the EOB in 2005-06, which is approximately the same level of expenditures as in the current year. The department does not receive any General Fund support.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Type of Expenditure</b>				
Administration	\$3,728	\$3,850	\$122	3.3
<b>Total</b>	<b>\$3,728</b>	<b>\$3,850</b>	<b>122</b>	<b>3.3</b>
<b>Funding Source</b>				
General Fund	\$0	\$0	0	0.0
Special Funds	3,728	3,850	122	3.3
<i>Budget Act Total</i>	<i>3,728</i>	<i>3,850</i>	<i>122</i>	<i>3.3</i>
Federal Trust Fund	0	0	0	0.0
Reimbursements	0	0	0	0.0
<b>Total</b>	<b>\$3,728</b>	<b>\$3,850</b>	<b>122</b>	<b>3.3</b>

**Current Workload.** The EOB reports that it is currently involved in pending litigation stemming from the energy crisis. In the last six months, the EOB has obtained \$2.86 billion in spot market refunds for electricity and gas, and is in negotiations for more. Currently, the EOB has 384 active cases and 41 cases on appeal. The Federal Energy Regulatory Commission (FERC) is a litigant in all of these cases. The EOB has also opened several market investigations regarding post-energy crisis behavior. Finally, the EOB is still involved in oversight of the Independent System Operator (ISO).

The EOB currently retains one Governor-appointed member and two Legislative members. With these appointments, the EOB does not have a quorum and the board has not met in well over a year.

## **SUBCOMMITTEE NO. 2**

## **Agenda**

**Sheila Kuehl, Chair**  
**Bob Dutton**  
**Alan Lowenthal**



**Monday, April 25, 2005**  
**1:30 p.m.**  
**Room 112**

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### **Resources—Environmental Protection—Energy**

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

## 3460 Colorado River Board

**Background.** The Colorado River Board (CRB) of California was established in 1937 by State statute to protect California's rights and interests in the resources provided by the Colorado River and to represent California in discussions and negotiations regarding the Colorado River and its management.

**Governor's Budget.** The Governor's budget proposes \$1.2 million to support CRB in the budget year. This is approximately the same level of funding estimated for expenditure in the current year. In the current year, funding for this program was transferred so as to come exclusively from reimbursements from local water agencies.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Type of Expenditure</b>				
State Operations	\$1,224	\$1,237	\$13	1.1
Total	\$1,224	\$1,237	\$13	1.1
<b>Funding Source</b>				
General Fund	\$0	\$0	\$0	0.0
<i>Budget Act Total</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0.0</i>
Reimbursements	1,224	1,237	13	1.1
Total	\$1,224	\$1,237	\$13	1.1

### 1. Lower Colorado Multi-Species Conservation Program— Informational Issue

**Background.** The board was recently involved in the development of one of the largest endangered species and habitat conservation plans to be adopted in the United States. This plan will lead to the restoration and maintenance of over 8,000 acres of native riparian, wetland, and aquatic habitats along the Lower Colorado River from Lake Mead to the Mexican border.

This conservation program will allow the state to divert 4.4 million acre feet (California's full entitlement) from the Colorado River.

The conservation program will ensure that the long-term needs of the federal and state endangered species act are met and maintained over the 50 year period of the program. The total cost of the program is estimated to be \$626 million over the 50 year implementation period. Approximately half of the funding will be provided by federal parties and the remaining half of the funding will be from non-federal parties. California parties will fund 50 percent of the non-



federal share with the remaining 50 percent being funded equally by Nevada and Arizona parties. No state funding is proposed to support this program.

## 3840 Delta Protection Commission

**Background.** The Delta Protection Commission (DPC) was created by statute in 1992 to develop a long-term resources management plan for land uses within the Sacramento-San Joaquin Delta. This plan is implemented by local governments in their land use planning processes. Broadly speaking, the main goal of the commission is to protect and enhance the overall quality of the Delta environment for agriculture, wildlife habitat, and recreational activities.

**Governor's Budget.** The Governor's budget proposes \$329,000 to support DPC in 2004-05. This is about the same level of funding as estimated for expenditures in the current year.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Type of Expenditure</b>				
State Operations	\$315	\$329	\$14	4.4
Total	\$315	\$329	\$14	4.4
<b>Funding Source</b>				
Environmental License Plate Fund	\$145	\$151	\$6	4.1
<i>Budget Act Total</i>	<i>145</i>	<i>151</i>	<i>6</i>	<i>4.1</i>
Harbors and Watercraft Revolving Fund	170	178	8	4.7
Total	\$315	\$329	\$14	4.4

**Update.** No issues have been raised with the commission's proposed budget for 2005-06.

## 3860 Department of Water Resources

**Background.** The Department of Water Resources (DWR) protects and manages California's water resources. In this capacity, the department maintains the State Water Resources Development System, including the State Water Project. The department also maintains public safety and prevents damage through flood control operations, supervision of dams, and water projects. The department is also a major implementing agency for the CALFED Bay-Delta Program, which is putting in place a long-term solution to water supply reliability, water quality, flood control, and fish and wildlife problems in the San Francisco Bay/Sacramento-San Joaquin Delta Estuary.

Additionally, the department's California Energy Resources Scheduling (CERS) division manages billions of dollars of long-term electricity contracts. The CERS division was created in 2001 during the state's energy crisis to procure electricity on behalf of the state's three largest investor owned utilities (IOUs). The CERS division continues to be financially responsible for the long-term contracts entered into by the department. (Funding for the contracts comes from ratepayer-supported bonds.) However, the IOUs manage the receipt and delivery of the energy procured by the contracts. (More on the CERS division of DWR is included in the Energy section of this report.)

**Governor's Budget.** The Governor's budget proposes \$6.4 billion for DWR in the budget year, which is about 4 percent less than estimated for expenditure in 2004-05. This reduction is due to a lower level of energy expenditures in the budget year. General Fund spending for the department is proposed at \$113 million, which is a 160 percent increase over the current year level. This large increase is due to an increase in funding to reimburse local governments for the lining of the All-American canal and augmentations to the department's flood management programs.

<b>Summary of Expenditures</b> (dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Type of Expenditure</b>				
California Water Plan	\$300,289	\$335,912	\$35,623	11.9
State Water Project Infrastructure	261,388	262,134	746	0.3
Public Safety and Prevention of Damage	76,869	93,269	16,400	21.3
Services	5,766	7,205	1,439	25.0
California Energy Resources Scheduling	5,671,248	5,339,741	-331,507	-5.8
Capital Outlay	308,686	319,354	10,668	3.5
Administration	63,700	63,700	0	0.0
<i>less distributed administration</i>	<i>-63,700</i>	<i>-63,700</i>	<i>0</i>	<i>0.0</i>
Loan Repayment Program	-4,013	-4,013	0	0.0
Unallocated Reduction	0	-576	-576	0.0
<b>Total</b>	<b>\$6,620,233</b>	<b>\$6,353,026</b>	<b>-\$267,207</b>	<b>-4.0</b>
<b>Funding Source</b>				
General Fund	\$43,029	\$112,951	\$69,922	162.5
Special Funds	9,785	9,857	72	0.7
Bond Funds	320,021	313,741	-6,280	-2.0
<i>Budget Act Total</i>	<i>372,835</i>	<i>436,549</i>	<i>63,714</i>	<i>17.1</i>
Federal Trust Fund	11,430	11,900	470	4.1
State Water Project Funds	528,176	533,731	5,555	1.1
DWR Electric Power Fund	5,670,759	5,339,741	-331,018	-5.8
Bosco-Keene Renewable Resources Investment Fund	20	0	-20	-100.0
Reimbursements	37,013	31,105	-5,908	-16.0
<b>Total</b>	<b>\$6,620,233</b>	<b>\$6,353,026</b>	<b>-\$267,207</b>	<b>-4.0</b>

## 1. Integrated Regional Water Management Grant Program

**Background.** The Integrated Regional Water Management (IRWM) Grant Program, which is implemented jointly by DWR and the State Water Resources Control Board (SWRCB), represents a departure from the way the state has traditionally funded water-related projects. This

program is designed to award grants to projects that propose integrated regional solutions to water problems. This differs from traditional single purpose projects, such as water use efficiency projects or water recycling projects.

The Proposition 50 bond provides \$500 million for this program, allocated equally between DWR and the State Water Resources Control Board (SWRCB). Of the total allocated to DWR, \$32 million has been set aside to fund recommendations from the Governor's Drought Planning Panel. About \$12.5 million has been set aside for implementation of the program by DWR and \$8.8 million is allocated to fund bond issuance costs. This leaves approximately \$197 million for projects to be awarded under the IRWM program. So far, \$49.8 million has been allocated to DWR for grants.

Draft guidelines for the program are currently being circulated for public review. The department plans to accept applications for planning grants by May 12, 2005 and construction grants by July 14, 2005.

**Governor's Budget.** The budget includes \$47.9 million in Proposition 50 bond funds for the second round of IRWM grants for projects.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open and direct staff to evaluate the role of this program in funding the CALFED program under the California Bay-Delta Authority's current two-year financing plan.

## 2. Desalination Grant Program

**Background.** Water desalination is the removal of salts and dissolved solids from saline water (brackish or seawater). The Proposition 50 bond provides \$50 million for a desalination grant program that would provide grant funds for feasibility studies and to assist in the construction of projects for desalination of ocean and brackish waters.

Of the \$50 million allocated in the bond, approximately \$46 million is available for grants. The remainder is provided for implementation of the program by DWR (\$2 million) and bond issuance costs (\$1.8 million). So far, \$25 million has been allocated to DWR for desalination grants.

On March 30, 2005, the department released draft funding recommendations for the first round of grants funded by the \$25 million appropriated in 2003-04. Grants were awarded to three construction projects, six pilot and demonstration projects, seven research and development projects, and nine feasibility studies. The department plans to make its final decision on the funding awards by May 11.

**Governor's Budget.** The budget includes \$21.3 million for grants that will fund feasibility studies and assist in the construction of projects for desalination of ocean or brackish waters.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open and direct staff to evaluate the role of this program in funding the CALFED program under the California Bay-Delta Authority's current two-year financing plan.

### 3. Drinking Water Quality—Pilot Projects

**Background.** The Proposition 50 bond provides \$50 million for pilot and demonstration projects that remove contaminants from drinking water. Half of the funds will fund projects for treatment or removal of certain contaminants. The other half of the funds will be for projects that use ultra violet or ozone disinfection treatment of drinking water. The DWR is responsible for managing these grants once they are awarded, but the Department of Health Services (DHS) is charged with developing criteria for awarding the grants and selecting projects to be funded. This is similar to the administrative arrangement with DHS for the expenditure of federal and state funding from the Safe Drinking Water State Revolving Fund to rehabilitate drinking water systems.

Of the \$50 million allocated in the bond, approximately \$46 million is available for grants. The remainder of the funds is directed for implementation of the program by DWR (\$600,000), DHS (\$1 million), support for DWR's division of water quality (\$1 million) and bond issuance costs (\$1.8 million). So far, \$11.3 million has been allocated to DWR for grants.

The first cycle of funding for this program is scheduled to start rolling out late in 2005. The DHS requested pre-applications that were due December 1, 2004. Since then, DHS has been reviewing the pre-applications and is scheduled to develop project priority lists for public review this spring. The fundable portion of the priority list will be determined this summer and DHS will invite submittal of full applications at that time.

**Governor's Budget.** The budget proposes \$11.5 million in Proposition 50 bond funds for this grant program.

**Staff Recommendation.** Staff recommends that the Subcommittee approve this request as budgeted.

### 4. Yuba Feather Flood Protection Program

**Background.** The Yuba Feather Flood Protection Program was created in the Proposition 13 bond fund to address the serious threat to life and property along the Yuba/Feather River system. The bond allocated \$90 million for this program (\$20 million is being implemented by the Department of Fish and Game for environment and wildlife mitigation projects). Approximately \$2.6 million of the \$70 million being implemented by DWR was set aside to reimburse local entities in Sutter County for their local share of cost-shared projects.

The DWR has allocated approximately \$18 million of the funds to flood control projects as part of the Yuba Feather Flood Protection Program.

**Governor's Budget.** The budget includes the following budget change proposal to fund the Yuba Feather Flood Protection Program:

- \$20.9 million is proposed from Proposition 13 bond funds to implement the Yuba Feather Flood Protection program. Approximately \$700,000 is to fund administration of the program at DWR. State operations to fund this program have been reduced by \$282,000 and 4 positions due to a reduction in workload and staffing needs expected in the budget year. This is the fifth year of funding for this program. The remaining funds are available for local assistance to fund Yuba County Water Agency's first-year construction funds for the lower Feather River and lower Bear River setback levees and levee improvement along the Yuba River, upper Bear River and the Western Pacific Interceptor Canal.

The Governor has submitted an April Finance letter requesting the following amendments to the budget for the Yuba Feather Flood Protection Program:

- The budget proposes \$14 million from Proposition 13 bond funds to fund the acceleration of proposed levee improvements for the Three Rivers Levee Improvement Authority.

**Plumas Lakes Development.** The April Finance letter will fund the acceleration of levee improvements that will facilitate the construction of a controversial housing development referred to as the Plumas Lakes development. In a decision made earlier this year, the State Reclamation Board agreed to \$60 million in levee improvements along the Feather and Yuba rivers to allow Yuba County to build 1,500 new homes on land that has been flooded twice in the last 20 years.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 5. *Paterno* Lawsuit Settlement

**Background.** The *Paterno v. State of California* lawsuit stems from a flood on the Yuba River in 1986. In February of that year, a 150 foot gap opened in the levee, allowing approximately 20,000 acre feet of water to flood 7,000 acres of land in the communities of Linda and Olivehurst, in Yuba County. As a result, hundreds of homes and a shopping center in the area were flooded. Subsequently, approximately 2,600 affected parties filed suit against the local reclamation district and the state. In 2001, a trial court ruled in favor of the state. However, in 2003 the California Court of Appeal ruled that the state was liable (and that the local reclamation district was not) and sent the case back to the trial court to award damages. The state appealed to the California Supreme Court which refused to hear the case.

The California Court of Appeal found the state liable for inverse condemnation arising from the failure to properly maintain the levee that failed. This decision has opened up the state to enormous financial liability for flood damages elsewhere in the system.

The state is currently in settlement negotiations related to the *Paterno* lawsuit and has tentatively agreed with the plaintiffs on a \$464 million settlement. Specifically, the administration has identified the following settlements:

- First Union Real Estate Equity (\$11 million) for damage to the Peach Tree Mall facility.

- Arkwright-Boston Manufacturers Mutual Insurance Co. (\$25 million) for damage to tenants of the Peach Tree Mall.
- Livaich et al (\$428 million) for damage to all other residents and businesses.

**Governor's Budget.** The Governor's proposed budget includes a proposal to finance the pending settlement of the *Paterno* lawsuit by issuing a judgment bond in the budget year.

The April Finance letter includes a proposal to provide \$11 million in General Fund monies to pay the settlement related to damage to the Peach Tree Mall facility. The department has indicated that it is currently evaluating payment options for the other settlements that are still pending, including financing the largest settlement. New proposals will be included in the May Revision.

**LAO Issues.** The LAO has raised several issues related to financing the settlement of this lawsuit. The Analyst finds that there are increased costs associated with deferring payment of the settlement over a period of time. They estimate that if this settlement was financed over a 30-year term it would cost around \$600 million after adjusting for inflation. This is approximately \$140 million more than if the settlement were paid in full.

However, the Analyst also finds that, because the *Paterno* obligation is an unanticipated cost, as opposed to an anticipated, ongoing expenditure by the state, it may be a good candidate for financing. The Analyst notes that financing the settlement as opposed to paying the settlement in a lump sum in the budget year would avoid the need to divert General Fund from other legislative priorities.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this issue open, pending receipt of the Governor's May Revision proposal.

## 6. Flood Management in Crisis

### Background

**Description of the Problem.** Flood management encompasses both structural flood control projects (levees, weirs, etc.) and floodplain management (land use decisions in floodplains). As the state has become increasingly urbanized, flood management has emerged as a critical and integral part of our infrastructure across the state from the Santa Clara Valley to the Los Angeles River. This continues today as areas of the state that were formerly agricultural, mainly in the Central Valley, develop sizeable suburban communities.

Many of these new communities are being built behind levees and flood control structures that are old and badly in need of repair, and which were never designed to protect homes. Upgrading these structures is costly and the state bears a large share of the costs (as much as 70 percent of the non-federal share). This has been further exacerbated by the *Paterno* decision that found the state solely liable for damages caused by a failed levee in the Central Valley. Despite these mounting state costs, the state has generally reduced its expenditures on floodplain management



activities and routine maintenance of the state's aging flood infrastructure over the last several years. This has resulted in the current flood management crisis in California.

**Who is Responsible for Flood Management?** The state is responsible for funding structural flood control projects statewide. The state typically provides about 70 percent of the non-federal share to construct federally authorized flood control projects throughout the state. In most parts of the state, local agencies take the lead in constructing these projects, including ongoing operations and maintenance.

However, the state is the lead agency for constructing structural flood control projects that are part of the Central Valley flood control system. The majority of the Central Valley flood control system is operated and maintained by local agencies under the state's oversight, but the state directly operates and maintains a portion of the system. The cost of operations and maintenance of the state-run part of the system is shared equally between the state and local agencies.

The state's role in floodplain management is relatively small in most parts of the state, consisting largely of providing technical assistance to local communities on complying with federal insurance requirements and mapping areas that are prone to flooding. However, the State Reclamation Board, under DWR, is responsible for issuing permits for development within designated floodways in the Central Valley.

**Governor's White (Teal) Paper.** In response to a request from the Legislature in 2004 the department completed a white paper to address many of the issues raised by the *Paterno* decision. The contents of this paper were the subject of the February 22 hearing of this Subcommittee. The administration's paper identified the following problems with the system:

- Aging infrastructure and deferred maintenance.
- Escalating development in floodplains.
- Declining fiscal resources to support maintenance and upgrades.
- State's potential liability.

The paper recommends several solution strategies to address the many flood management challenges identified in the report. These strategies include the following:

- Evaluate flood control system integrity, rehabilitate as needed, and improve maintenance.
- Create reliable funding sources for funding flood management activities.
- Improve floodplain mapping and outreach on flood risks.
- Reduce or shift the state's liability exposure.

## **Governor's Proposal**

**Governor's Proposal Summary.** The Governor proposes to increase funding for flood management activities by \$31.5 million in the budget year. This includes \$10.5 million (\$9.7 million General Fund) to increase DWR's flood management activities and \$21 million for capital outlay flood control projects in the Central Valley. With these increases, DWR's total flood management budget for 2005-06 will be about \$73 million, which is a 72 percent increase above current-year appropriations.

**State Support.** The budget includes funding for the first year of a three-year plan to make “strategic improvements” to flood control. The proposal requests a \$9.7 million General Fund allocation for a variety of activities. The proposal will support 27 new positions and approximately \$5.9 million is proposed to augment the department’s base budget. The remaining \$3.8 million is proposed as a one-time expenditure. Activities to be funded include the following:

- **Central Valley Flood Project Maintenance.** The budget includes \$5.1 million (\$2 million one-time) to support 19 new positions to augment maintenance of the Central Valley flood control projects. This includes improving maintenance of levees and flood control channels, improving the levee inspection program, preparing plans to remove sediment, and making improvements to the state’s maintenance yards.
- **System Reevaluation and Rehabilitation.** The budget includes \$835,000 (\$495,000 one-time) to support two new positions to conduct system-wide geotechnical and hydraulic evaluations of the Central Valley levee system and to begin to rehabilitate some levees. These resources will be used to begin the analyses needed to assess the structural integrity and capacity of the flood control system and to prepare contracts to rehabilitate three Sutter Pumping Plants that are in need of rehabilitation.
- **Emergency Response.** The budget includes \$1.7 million (\$550,000 one-time) for emergency response to support five new positions to augment resources for the state’s emergency preparedness and to replace key information technology that provides data to prevent loss of life and property during emergencies. This data includes river forecasts and information to coordinate reservoir flood control releases.
- **Floodplain Management.** The budget includes \$2 million (\$800,000 one-time) to support one new position and to support contracts to update existing Federal Emergency Management Agency (FEMA) flood insurance rate maps as well as to develop new maps for unmapped stream reaches where urban development is anticipated. The effort will focus on the Central Valley.

**Capital Outlay.** The budget includes \$21 million (\$16.7 million General Fund and \$4.4 million in Reimbursements) to fund the following capital outlay flood control projects in the Central Valley:

- **South Sacramento County Streams.** The budget includes \$4.3 million in General Fund monies and \$1.8 million in reimbursements to continue funding for projects that will improve South Sacramento's level of flood protection from a 50-year level to a 500-year level.
- **Sacramento River Bank Protection Project.** The budget includes \$5.6 million in General Fund monies to fund bank protection work to prevent Sacramento River Flood Control Project levee failures by providing effective protection of stream banks from erosion.
- **American River Common Features Project.** The budget includes \$3.6 million in General Fund monies and \$1.5 million in reimbursements to fund the Common Features project, which is the first increment of a comprehensive flood control plan for Sacramento.
- **Terminus Dam, Lake Kaweah Project.** The budget includes \$2.8 million in General Fund monies and \$1.2 million in reimbursements to complete a project to reduce flood risk to the City of Visalia and 300,000 acres of agriculture/crop land by raising the spillway at Terminus Dam.

- **1997 Flood Damage Repair.** The budget proposes \$346,000 in General Fund monies to complete real estate easement acquisitions associated with flood damage repairs completed after the 1997 flood event.
- **Eastside Bypass Levee Raising Project.** The budget includes \$55,000 in General Fund monies to complete real estate easement acquisitions associated with raising 7.3 miles of levees along the Eastside Bypass.

**April Finance Letter.** The April Finance letter submitted by the Governor requests an additional \$800,000 in federal funds to support floodplain management efforts. This means that floodplain management activities will be augmented by a total of \$2.8 million in the budget year. Specifically, the additional funds will support FEMA's map modernization effort (\$600,000) and will increase the level of training and technical assistance regarding flood insurance for local governments (\$200,000).

**Capital Outlay April Finance Letter.** The April Finance letter requests the following amendments to the budget to reappropriate or extend liquidation periods for capital outlay funds that were allocated in prior budget years and not expended for specific flood control projects. The projects include the following:

- **Sacramento River Bank Protection Project.** The budget proposes to extend the liquidation period by \$1.7 million General Fund for two more years. Complex issues have caused delays of scheduled project actions. These funds were originally appropriated in 2000.
- **Merced County Streams.** The budget proposes to extend the liquidation period by \$323,130 General Fund for two more years. This funding is needed to pay the state's cost share of the final aspect of the replacement of the Oakdale Bridge. These funds were originally appropriated in 2000.
- **Cache Creek Settling Basin.** The budget proposes to reappropriate \$447,476 General Fund. This project is currently on hold because the U.S. Army Corps of Engineers has run out of funding to complete the remaining elements of this project. It is not clear that these funds will be needed in the budget year and may be re-directed to other priority flood control projects. These funds were originally appropriated in 1997 and have been reappropriated several times.
- **1997 Flood Damage Repair.** The budget proposes to reappropriate \$956,650 General Fund and \$383,750 in reimbursement funds. These repairs have been delayed due to several factors including the unwillingness of landowners to accept state compensation offers for property taken to construct flood control projects. These funds were originally appropriated in 1998 and have been reappropriated several times.
- **Mid-Valley Area Levee Reconstruction.** The budget proposes to reappropriate \$746,076 General Fund and \$832,800 in reimbursement funds. This levee reconstruction has been delayed due to additional studies required by the U.S. Army Corps of Engineers and design changes. These funds were originally appropriated in 1999.
- **Sutter County Bridge Replacement.** The budget proposes to extend the liquidation period by \$100,000 General Fund for two more years to complete the O'Banion Road Bridge. This project has been delayed because of the department's decision to participate in the Federal Highway Administration's Highway Bridge Replacement program. The

federal government is now providing for 80 percent of the costs of the project. These funds were originally appropriated in 1999.

- **Upper Sacramento Area Levee Reconstruction.** The budget proposes to reappropriate \$210,624 General Fund and \$398,880 in reimbursement funds. This project is in the final phase of construction and has been delayed because of design changes. These funds were originally appropriated in 1997.
- **Tule River, Success Reservoir Enlargement.** The budget proposes to reappropriate \$1.2 million General Fund and \$650,693 in reimbursement funds. This project is currently on hold because the U.S. Army Corps of Engineers found a seismic deficiency at Success Dam. The Corps have proposed the construction of a new dam to replace the existing dam. However, this dam will not be completed until 2009 so funds for the reservoir enlargement project will not be needed in the near future and may be re-directed to other priority flood control projects. These funds were originally appropriated in 2002.

**Legislation.** The Governor has also put forward three pieces of legislation to implement some of the recommendations in the white paper, including:

- **Central Valley Flood Control Assessment District.** This legislation would create a Central Valley Flood Control Assessment District that would take over the state's lead role in constructing federally authorized projects. This district will have authority to collect assessments for funding flood control projects, thereby reducing reliance on the General Fund for this activity. The district would also facilitate a mitigation banking program to provide more flexibility in carrying out maintenance activities that comply with environmental regulations, facilitate increased notification of landowners regarding flood risks and facilitate a mandatory flood insurance offer. This proposal is contained in AB 1665 (Laird).
- **Amend Proposition 218.** Currently, Proposition 218 exempts water, sewer, and garbage fees from requiring a two-thirds voter approval to increase fees. The administration proposes to amend the constitution to exempt flood control and storm water from the two-thirds voter requirement. This proposal is contained in ACA 13 (Harman).
- **Limiting Inverse Condemnation.** The administration has also proposed a constitutional amendment and tort reform that would limit inverse condemnation for harm or damage caused by floods. The *Paterno* decision found the state liable for inverse condemnation from the failure to properly maintain a levee that failed. This proposal has not been introduced.

### Concerns with Governor's Proposal

**Governor's Plan Falls Short of Limiting State's Liability Exposure.** The Governor's plan does include important steps in addressing the deficit of funding needed to improve the state's flood management system in the Central Valley. However, the plan still falls short of limiting the state's liability exposure created under the *Paterno* decision. Specifically, it does not directly address the continuing development in and around the state's deep floodplains that are at a significant risk of flooding. This problem is highlighted by the recent decision by the State Reclamation Board to allow nearly 1,500 new homes to be built in Yuba County on land that has flooded twice in the last twenty years.

The LAO recommends improving the connection between land use decisions and resulting flood-related consequences and believes the Governor should have gone farther in this area. The LAO suggests that the Legislature consider the following strategies:

- **State Cost Share of Flood Projects.** The Analyst suggests that the Legislature could render local agencies ineligible for the state's funding share in cases where local land use decisions result in substantial flood risks. The LAO finds that such eligibility criteria could be used to encourage those making land use decisions to give greater consideration to the potential costs and benefits of their decisions.
- **Floodplain Development Fee.** The Analyst also suggests that the Legislature might consider enacting a floodplain development fee that would fund the state's additional flood-related costs resulting from new development in floodplains. The LAO finds that such a fee would be justified based on the beneficiary pays principle and that the fee would pay for the additional costs that are imposed on the flood control system because of the new development.

**Value of a Central Valley Flood Control Assessment District.** The Governor has proposed a Central Valley Flood Control Assessment District that would take over the state's responsibilities related to the Central Valley's flood management system, including liability for the system. Staff finds that the creation of this district could have no more than a marginal impact on improving the connection between land use decision making and the resulting flood-related fiscal consequences.

Such a connection might be better motivated by the establishment of a system-wide fee that would cover the costs of maintaining the Central Valley flood control project. Presently, the state covers 50 percent of the maintenance costs associated with portions of the Central Valley flood management system. The Governor's proposal would shift these maintenance costs (approximately \$36 million annually) to the new assessment district by 2009-10. The LAO also supports this shift, finding that it is more appropriate for those persons living and benefiting from the flood control system to pay for costs associated with its maintenance as opposed to general state tax payers.

Nevertheless, the creation of a new district and a system-wide fee to cover maintenance costs will not have a real impact on land use decision making and the resulting flood-related fiscal consequences unless they are required to pay for the fiscal consequences. Presently, the state and federal governments pay for a large portion of flood control projects and cover nearly all the costs associated with flood emergencies.

**Assessment of System's Structural Integrity Needed.** The LAO finds that a comprehensive system-wide evaluation of the Central Valley flood control system is needed. The Governor proposes a modest effort to begin evaluating the structural integrity of the system (\$835,000). However, this will be a multi-year effort and will require a substantial funding commitment. Ultimately, the evaluation could cost hundreds of millions of dollars. Furthermore, the department has indicated that there are over 200 erosion sites in the Central Valley system, managed by the state, that would need to be evaluated and addressed prior to transferring management responsibilities from the state to a new regional entity.

The LAO recommends that the department develop and submit to the Legislature for its review a plan that: (1) schedules over time an evaluation of the complete system, based on a clear set of priorities to guide the timing of the work; (2) estimates the costs of such an evaluation; and (3) identifies funding sources to support the effort, including federal funds and flood control benefit assessments. This plan is important since the judge in the *Paterno* decision cited the state's lack of a plan for dealing with the system's deficiencies was key in the finding by the court that the state was liable for inverse condemnation.

## Other Concerns

**Local Flood Control Subventions.** As mentioned previously, the state pays upwards of 70 percent of the non-federal share of federally authorized flood control projects. The state pays its share to local governments outside the Central Valley through local flood control subventions. The state currently owes \$188 million and will owe a total of \$330 million over the next ten years. These arrearages continue to increase when the state and federal governments authorize additional projects. The Governor's budget does not present a plan for addressing the arrearages that are owed to local governments.

**Re-Evaluate State's Role with Respect to Delta Levees.** The LAO finds that there is a statewide interest in ensuring the performance of the levees in the Delta, particularly given much of the state's dependence on the Delta for water supplies. The LAO also finds that failure of these levees can have substantial public costs (such as the recent failure at Jones Tract that cost \$95 million) and that it may be more cost-effective for the state to expand its oversight over levees in the Delta that may have a direct impact on the state's water supply systems.

**Staff Recommendation.** Staff recommends that the Subcommittee do the following:

- Approve the Governor's budget change proposals and April Finance letter proposal.
- Direct Staff, LAO, DOF, and the department to work on trailer bill language that would prohibit planning agencies from approving a development unless the local agency can identify sufficient flood protection to protect new residential developments.

## 7. Sacramento Valley Water Management Program

**Background.** The Sacramento Valley Water Management program is funded by bond monies that were set aside in the Proposition 204 bond to fund water management projects in the Sacramento Valley. These funds are currently being used to implement the Bay-Delta Agreement, which called for short- and long-term work plans for projects that would make additional water available to meet Delta flow requirements.

To date, the DWR has allocated \$8 million which has gone towards the development of the agreement and a short-term work plan.

**Governor's Budget.** The budget includes \$8.5 million in Proposition 204 bond funds for this program to fund environmental work and planning and project design to start implementing components of the Bay-Delta Agreement. The majority of the funds are expended through a

contract with the Northern California Water Authority and approximately \$60,000 is allocated to support administration by DWR.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 8. San Joaquin River Restoration Project

**Background.** The San Joaquin River historically supported a large salmon population. Its flows have been extremely important to the agricultural development of the San Joaquin valley. However, at present, 100 percent of the river's flows are being diverted at or immediately below Friant Dam, causing sixty miles of the river to dry up and destroy any fisheries that may have existed. Furthermore, the water that flows in the lower river that enters the Delta is stagnant and polluted and impairs water quality in the Delta. This impacts all parties exporting water from the Delta and also negatively impacts the environment.

In 1998, the Natural Resources Defense Council (NRDC) sued the U.S. Bureau of Reclamation (USBR) and the Friant Water Users Authority (FWUA) claiming that current water management practices destroyed native fisheries in the river. In response, DWR entered into a contract with the FWUA in cooperation with the NRDC in the amount of \$15.7 million from Proposition 13 bond funds for feasibility studies and pilot projects to start a restoration effort for the San Joaquin River. However, in April of 2003, settlement discussions between NRDC and FWUA broke down and the parties returned to court. In August 2004, a federal judge granted NRDC's motion for a court-ordered plan to restore the San Joaquin River. The parties are in the early stages of the remedy phase.

The FWUA has expended \$6.5 million on a study that is still incomplete. The remaining funds are not being expended, as litigation regarding the river continues.

**Governor's April Finance Letter.** The April Finance letter proposes to revert the remaining \$9.2 million in Proposition 13 bond funds that were appropriated in 2000 and awarded to FWUA to develop a restoration plan for the river. The DWR also proposes to expend \$1.8 million of the Proposition 13 bond funds being reverted to support two positions and manage contracts to complete the studies started in 2000.

**Timing of Expenditures Problematic.** The department has indicated that it will work with the USBR, the Department of Fish and Game, the U.S. Fish and Wildlife Service, and the National Oceanic and Atmospheric Administration to develop a range of restoration strategies for the San Joaquin River. The state's involvement in this working group is problematic given the ongoing litigation regarding the restoration of the river. The USBR is the main defendant in litigation where it is fighting to keep the river dry in perpetuity. This position is likely to inherently bias any work that continues while the Bureau is still involved in this litigation.

Furthermore, a federal judge has already directed the development of a court-ordered plan. Therefore, expenditure of state funds to develop a restoration plan may be premature given that a court-ordered plan will be forthcoming.

**Violation of Bond Rules.** Staff has been informed that the FWUA continues to hold approximately \$1 million in bond monies that have not been expended. The FWUA has held this money for a period of time without expenditure and has been able to earn interest on these funds. This is a violation of the law governing the tax exempt status of the bond monies. The department has not been able to provide an explanation of how this was allowed to happen.

**Staff Recommendation.** Staff recommends that the Subcommittee take the following actions:

- Revert the \$9.2 million in Proposition 13 bond funds.
- Reject the proposal to expend \$1.8 million to continue to fund the restoration study since the court-ordered plan for restoration is still being developed.
- Direct DWR to report on what other funds need to be reverted from the Friant Water Users Authority and what steps DWR has put in place to avoid this behavior in the future.

## 9. Bond Funds: Extension of Liquidation Period

**Governor's April Finance Letter.** The April Finance letter requests an extension of the liquidation period for the following programs:

- **Local Projects.** Approximately \$129,263 is needed to complete the water supply feasibility studies funded by Proposition 204 bond funds in 2000-01. Approximately \$25 million was approved in 1996 for feasibility studies and local projects in Proposition 204.
- **Groundwater Recharge Loan Program.** Approximately \$176,505 is needed for feasibility study grants and construction loans for water conservation and groundwater recharge projects funded by Proposition 82 bond funds in 2002. Proposition 82 was passed by the voters in 1988 and provided \$60 million for various water projects.
- **Watershed Program.** Approximately \$241,701 is needed to cover existing contract commitments for work associated with preserving the upper Feather River watersheds from Proposition 50 bond funds. In addition, the administration also requests extending the liquidation on the balance of Proposition 50 bond funds needed to support watershed grant contracts awarded under the SB 23 (Costa) program. It is anticipated that invoicing and payment activities related to these grant contracts will extend into the budget year.
- **Drought Panel Program.** Approximately \$4.2 million in Proposition 50 bond funds are remaining on 26 contracts awarded for projects that reduce the impacts of drought. The department anticipates that a majority of these funds will be encumbered in the current year, but is anticipating that approximately \$1 million will require extension of the liquidation period since invoicing and payment activities will likely extend into the budget year.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 10. All-American Canal Lining

**Background.** Legislation (Chapter 813, Statutes of 1998 [SB 1765, Peace]) provides \$235 million in General Fund monies as a continuous appropriation to the Colorado River Management Account. These funds are to reimburse local agencies for the lining of the All-American Canal and other projects that help the state live within its Colorado River water



allocation. While not explicitly part of the 2003 Quantification Settlement Agreement, the allocation of these funds was part of the general agreement made between several Southern California water agencies and the state.

Approximately \$60 million in General Fund monies and \$19.3 million in Proposition 50 bond funds have been provided to the Colorado River Management Account. The majority of these funds have been allocated to reimburse locals for the lining of the Coachella Canal. However, some funds have been allocated for the All-American canal project, as well. There were no General Fund monies provided for this program in the current year.

**Governor's Budget.** The budget includes \$59 million in General Fund monies to reimburse local water districts for costs associated with lining the All-American Canal.

**Funds May Not Be Needed in 2005-06.** The department has indicated that all of these funds may not be needed in the budget year. The department has indicated that progress has been slow on plans to line the All-American Canal, which will likely delay construction and the need to allocate these funds in the budget year.

**Staff Recommendation.** Staff recommends that the Subcommittee direct DWR to provide a more refined estimate of those funds actually needed in the budget year to reimburse local agencies for the activities to be funded by the Colorado River Management Account.

## 3940      **State Water Resources Control Board**

**Background.** The State Water Resources Control Board (SWRCB), in conjunction with nine semi-autonomous regional boards, regulates water quality in the state. The regional boards—which are funded by the state board and are under the state board's oversight—implement water quality programs in accordance with policies, plans, and standards developed by the state board.

The board carries out its water quality responsibilities by: (1) establishing wastewater discharge policies and standards; (2) implementing programs to ensure that the waters of the state are not contaminated by underground or aboveground tanks; and (3) administering state and federal loans and grants to local governments for the construction of wastewater treatment, water reclamation, and storm drainage facilities. Waste discharge permits are issued and enforced mainly by the regional boards, although the state board issues some permits and initiates enforcement actions when deemed necessary.

The state board also administers water rights in the state. It does this by issuing and reviewing permits and licenses to applicants who wish to take water from the state's streams, rivers, and lakes.

**Governor's Budget.** The Governor's budget proposes \$729 million to support SWRCB in the budget year. This proposal is approximately \$300 million less than current-year expenditure levels, mainly due to a reduction in the bond funding available for appropriation. General Fund support for the board is proposed to increase by \$1.4 million in the budget year due to increases related to employee compensation and federally mandated activities related to the cleanup of the Leviathan Mine.

<b>Summary of Expenditures</b>				
(dollars in thousands)	2004-05	2005-06	\$ Change	% Change
<b>Type of Expenditure</b>				
Water Quality	\$1,023,012	\$719,206	-\$303,806	-29.7
Water Rights	10,937	9,808	-1,129	-10.3
Administration	17,289	17,805	516	3.0
<i>Less distributed administration</i>	<i>-17,289</i>	<i>-17,805</i>	<i>-516</i>	<i>0.0</i>
Unallocated Reduction	-368	-454	-86	0.0
<b>Total</b>	<b>\$1,033,581</b>	<b>\$728,560</b>	<b>-\$305,021</b>	<b>-29.5</b>
<b>Funding Source</b>				
General Fund	\$27,883	\$29,236	\$1,353	4.9
Special Funds	320,470	351,177	30,707	9.6
Bond Funds	517,723	178,292	-339,431	-65.6
<i>Budget Act Total</i>	<i>866,076</i>	<i>558,705</i>	<i>-307,371</i>	<i>-35.5</i>
Federal Trust Fund	127,163	128,532	1,369	1.1
Reimbursements	10,014	9,815	-199	-2.0
State Water Quality Control Fund	21,130	22,130	1,000	4.7
State Water Pollution Control Revolving Fund	-2,682	-2,682	0	0.0
Petroleum Underground Storage Tank Financing Account	11,880	12,060	180	1.5
<b>Total</b>	<b>\$1,033,581</b>	<b>\$728,560</b>	<b>-\$305,021</b>	<b>-29.5</b>

## 1. Wetlands Protection

**Background.** The board currently issues water quality certifications (commonly referred to as Section 401 certifications) for projects that require a federal permit or license certifying that discharges will not violate state water quality standards. This program seeks to protect existing wetland areas by addressing discharges related to dredge and fill materials associated with land and port development. Presently, the board has nine staff statewide that review these applications and issue certifications. This is significantly less than is needed to address the ongoing workload associated with this program.

Workload for this program was currently increased due to a U.S. Supreme Court decision commonly referred to as the SWANCC decision (*Solid Waste Agency of Northern Cook County v.*

*U.S. Army Corps of Engineers*). Under this decision, the court found that discharges into certain wetlands no longer needed permits from the federal government under the Clean Water Act. Consequently, the state is now charged with protecting these wetlands. This significantly increased the workload associated with protecting the state's wetland areas and exacerbated the existing funding deficiencies.

**Governor's Budget.** The budget proposes to redirect \$600,000 in contract funds to establish 7.4 positions to operate a regulatory program that protects wetlands no longer under the jurisdiction of the federal government due to the recent U.S. Supreme Court decision.

**Program Badly Under-Funded.** The board found that it would need over 130 positions to fully staff the certification program and protect the state's remaining wetlands areas. More recently, the board has estimated that approximately 41 positions would be needed just to ensure that the 401 certification program is at the same level of effectiveness as the other water quality programs within the board's core water quality regulatory programs. This proposal gives the board only 16 positions, which is far below those needed to truly protect our wetland areas. The under-funding requires the board to allocate its resources to only the most destructive discharges to wetland areas.

The board has indicated that 2.6 positions will be allocated to the state board to do statewide coordination related to this program and to work on various policy definitions, including defining wetlands, establishing consistent definitions of beneficial use, as well as other activities, in order to help the regional boards prioritize their workload. Staff finds this sort of coordination effort important, but remains concerned that there are not enough staff and resources dedicated to this program to truly protect the small number of wetlands that still exist.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt the budget proposal.

## 2. Enforcement Activities

**Background.** On April 4, the Subcommittee asked the Secretary of Cal-EPA to report on its agency-wide enforcement initiative. The Secretary has reported that they are working to improve their management of information in order to better prioritize enforcement activities based on the greatest risk to the environment and to initiate an agency-wide complaint tracking system.

The Secretary has asked that the board implement the following improvements to its current enforcement program in a memorandum dated March 23, 2005:

- Develop a statewide approach for prioritization of enforcement actions which requires the State Water Board to review regional board enforcement activities on an annual basis.
- Transition to an electronic data filing system that will enable automated compliance checking and the development of a "compliance report card" for dischargers.
- Create a clear division of duties between permitting and enforcement staff.
- Coordinate enforcement strategies regionally in conjunction with other enforcement agencies to ensure that violations are promptly and consistently addressed.
- Standardize permitting requirements and permit monitoring in order to improve enforceability.

- Standardize the imposition and collection of mandatory minimum penalties.
- Develop a uniform program for addressing chronic violators.

**How Will the Suggested Enforcement Improvements be Implemented?** The board is currently developing multiple strategies for implementing the recommendations made by the Secretary for Cal-EPA in his March 23, 2005 memorandum. The board has indicated that the initiative will be implemented by redirecting staff internally and is not requesting additional budget resources at this time. Staff recognizes that some of these improvements can be done administratively and without new resources. However, it is unclear whether the board can make real improvements in its enforcement program without some augmentation of resources and positions.

**Other Improvements Could Be Made.** One criticism raised regarding the board's current enforcement activities is its lack of enforcement presence in the field. Typically, SWRCB staff has been much more involved in upfront activities related to permitting and have dedicated fewer resources to inspection and enforcement activities in the field. One suggestion for improving enforcement of state water quality laws has been to contract with the Department of Fish and Game to have wardens enforce state water quality laws and permits. The board has indicated that it is considering this option.

**Staff Recommendation.** Staff recommends that the Subcommittee direct the board to provide information on the funding needed to implement the improvements to the enforcement program outlined in the March 23, 2005 memorandum from the Secretary for Cal-EPA.

### 3. Bond-Funded Grant Programs

**Background.** The board implements several bond programs. Concerns have been raised over the last two years regarding the length of time it takes the board to award grants and contracts. These problems were, in part, a result of administrative actions such as the hiring freeze and Control Section 4.10 reductions that eliminated many newly created bond-funded positions that had not been filled. However, delays also resulted from various administrative practices by the board that slowed the time it took to review, award, and issue grants.

**Governor's Budget.** The Governor proposes allocation of \$165.4 million in bond funds from Propositions 13 and 50 resources bonds. The bond funds are allocated to the following programs consistent with allocations specified in the bond acts:

- **Coastal Water Quality.** The budget includes \$66.5 million in Proposition 50 bond funds for grants to finance projects that restore and protect water quality and the environment in coastal waters, estuaries, bays and near-shore water and groundwater. Approximately one-half of these funds are for the Clean Beaches program.
- **Integrated Regional Water Management.** The budget includes \$55 million Proposition 50 bond funds for grants to finance integrated water management projects and feasibility studies in conjunction with the Department of Water Resources. Approximately \$26 million was allocated for the first round of grants in 2003-04.
- **Small Community Wastewater Grants.** The budget includes \$20.7 million Proposition 50 bond funds for grants to assist in the construction of publicly owned wastewater

treatment and collection facilities. Approximately \$16 million from Proposition 50 was allocated to this program in 2003-04.

- **Water Recycling.** The budget includes \$6.4 million in Proposition 13 bond funds to cover anticipated commitments for construction grant projects ready to proceed to construction.
- **Non-Point Source Pollution Control Program.** The budget includes \$3.9 million in Proposition 13 bond funds for grants to local agencies and nonprofit organizations for projects that reduce non-point source pollution.
- **Watershed Protection.** The budget includes \$1.9 million in Proposition 13 bond funds for grants to fund projects that assist in implementing watershed plans to reduce flooding, control erosion, improve water quality, and improve habitats.
- **Agriculture Water Quality and Dairy Water Quality Programs.** The budget includes \$615,000 to support 6.5 new positions to implement the Agriculture Water Quality and Dairy Water Quality programs created in the 2004 budget.
- **Coastal Non-Point Source Pollution Control Program.** The budget includes \$385,000 in Proposition 13 bond funds for grants to fund coastal non-point source pollution control projects.

**Governor's April Finance Letter.** The Governor has submitted an April Finance letter requesting the following amendments to the budget to reappropriate and extend the liquidation period for bond funds allocated in prior budget years:

- **Extend Liquidation Period for Various Proposition 13 Programs.** The letter proposes to extend the liquidation period for \$6 million in Proposition 13 bond funds allocated in 2000-01 for Watershed Protection, Non-point Source Pollution Control, and Coastal Non-point Source Pollution Control Programs. The letter also proposes to extend the liquidation period for \$68 million in Proposition 13 bond funds allocated in 2001-02 for the same programs plus Lake Elsinore and San Jacinto Watershed Authority local assistance programs. Approximately \$295 million was allocated to these programs in the Proposition 13 bond. The board cites various unexpected project delays as the reason this extension is needed.
- **Southern California Integrated Watershed Program.** The letter proposes to reappropriate \$150,000 in Proposition 13 bond funds and extend the liquidation period for \$28 million in Proposition 13 bond funds to support the Southern California Integrated Watershed Program. These funds were appropriated in 2000-01 and 2001-02. Approximately \$235 million was allocated to this program in the Proposition 13 bond.
- **Water Recycling Projects.** The letter proposes to extend the liquidation period for approximately \$4 million in Proposition 50 bond funds that were allocated for water recycling projects in 2002-03. Approximately \$10 million in Proposition 50 bond funds was provided for water recycling in 2002-03.
- **Agriculture Water Quality Program.** The letter proposes to extend the liquidation period for \$9.5 million in grant funds provided in the current year. The board was given only one year to encumber these funds, which is not sufficient, given delays in developing guidelines and processing grant applications.

**Changes to Board's Grant Process.** The board has indicated that it has taken several steps to reduce the time it takes to process grant applications. Changes the board has undertaken include:

- Reorganization of staff to focus efforts on grant programs.
- Switching from awarding contracts to awarding grants, which eliminates the need for approval from the Department of General Services.
- Developing standard grant templates to expedite legal review.
- Requiring that a scope of work be completed at the time of application. (Previously this step was done after initial applications were filed.)
- Developing an on-line application tool.
- Developing guidelines and selection criteria prior to requesting grant applications.
- Eliminating redundant proposal review steps in the grant review process.

The board has taken several steps to improve its granting process, which, the board estimates, will shorten the time it takes to issue grants. However, the results of many of these changes have only recently begun to be realized and some programs continue to be delayed, as illustrated by the number of requests for extensions of liquidation periods requested of the board in the Governor's April Finance letter. It is not clear that board staff has communicated these changes to the participants in the board's various grant programs.

**Small Community Groundwater Program.** Specific concerns have been raised with the board's Small Community Groundwater Program. This program provides \$9.5 million in Proposition 40 bond funds for grants to small and disadvantaged communities for projects that clean up polluted groundwater for drinking water purposes. The board has had these funds for nearly three years, but has still not released draft guidelines for the program.

The board has indicated that it has met with stakeholders and reports that one of the stakeholders' main recommendations is that the board coordinate with the Department of Health Services' (DHS') priority lists for projects to be funded under its Proposition 50 bond funded programs. This would avoid the need for many of the small and disadvantaged communities to be required to complete a second application, which can be a costly process. The board has indicated that it is awaiting the release of DHS' priority lists before it moves forward on its program. The board also indicates that it will accept additional applications to the extent that some communities did not apply under DHS' programs. The board plans to award grants in the budget year.

**Ag Water Quality Grant Programs.** In the current year, legislation was enacted to provide bond funding for a new Ag Water Quality Grant Program and Dairy Water Quality Grant Program. These grant programs provide funds to support monitoring, demonstration, research, and construction of projects to reduce pollutants in agricultural drainage water and groundwater contamination. The federal government implements a similar program called the Environmental Quality Incentives Program (EQIP) that provides federal funds and technical assistance to farmers and ranchers implementing conservation plans to improve water quality. In addition, the board is also required to issue and enforce waivers from waste discharge requirements for agricultural dischargers.

During the 2004-05 budget process, the legislature requested a supplemental report from the board on the coordination of these programs, including suggested legislative changes to improve coordination. The board's report provided only very broad suggestions on how the board could

better coordinate these programs. The board has indicated that confidentiality related to participants in the federal EQIP program has hindered coordination with the federal program.

Staff has been informed that the board's process for reviewing grants in this program is flawed. Specifically, there is concern that the process has not been competitive and transparent. Furthermore, there is concern that many of these projects are being approved without the identification of essential monitoring or deliverables. These elements are essential in ensuring that expenditure of monies meets the intended goals, which is to improve water quality.

**Areas of Special Biological Significance.** California has 35 Areas of Special Biological Significance (ASBS). These areas are marine habitats that were given special protection status decades ago to protect the unique and sensitive biological species and communities found in these areas. The State Water Resources Control Board adopted a pollution discharge prohibition decades ago to protect the resources within these special areas.

The State Water Board recently completed a study of the ASBS and found 1,654 direct discharges into these areas. Virtually all of these discharges are illegal and the board is taking actions to enforce against these dischargers. The board is proposing to allocate \$66 million in Proposition 50 bond funds that would go to projects that improve coastal water quality. Some of these funds could be utilized for projects that help expedite the elimination of illegal discharges into the ASBS.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this issue open and direct the board to provide additional information on the following:

- The board's efforts to communicate its improved processes to the stakeholders participating in its grant processes.
- The board's review process for the implementation of the Ag Water Quality Grant Program and Dairy Water Quality Grant Program.
- The board's plans for awarding the \$66 million for coastal water quality, including any criteria that may be related to reducing discharges into ASBS.

## 4. Water Rights Program

**Background.** The board is responsible for regulating a number of surface water rights, including issuing new water rights, approving changes to existing rights, and enforcing existing rights. In 2003, legislation was enacted to implement water rights fees to shift funding for the board's water rights program from the General Fund to fees. The new fees are assessed annually on parties applying for or holding water rights that are under the jurisdiction of the SWRCB.

The water rights program was reduced by approximately \$3.3 million (about 30 percent) in 2002-03. The reductions to the water rights program have increased an already existing backlog of water rights applications pending at the board. This backlog has been further exacerbated by the new fee program given the extra staff time required to address issues related to fee collection. Furthermore, the board is currently being sued on its collection of the water rights fee. This has also taken staff time away from routine water rights program activities.



**Governor's Budget.** The budget proposes to provide \$231,000 from the Water Rights Fund to support 2.6 positions that will be filled with student assistants to update and maintain accurate records of ownership for the water rights program. The budget also proposes to redirect \$270,000 of federal funds to the water rights fund in an appropriate charge to the U.S. Bureau of Reclamation for the costs of administering the Bureau's water rights.

**In-Stream Flow Requirements on North Coast Streams.** Legislation (AB 2121, Committee on Budget) was enacted in 2004 that requires the board to adopt, as state policy, guidelines developed by the State Department of Fish and Game and the National Oceanic and Atmospheric Administration regarding the amount of water needed in certain North Coast rivers for certain fish species. The legislation specifies that the board adopt these guidelines, as state policy, within two years after necessary environmental reviews are completed.

The 2004-05 budget provided \$1.5 million from tidelands oil revenues to fund in-stream flow requirements at the SWRCB. However, the administration's most recent estimates of tidelands oil revenues are significantly lower than previously anticipated due to a lawsuit by the City of Long Beach. Because of this, there may not be sufficient tidelands oil revenues to fund this activity in the current year. The board indicates that it currently has only three positions in its water rights division working on issues related to North Coast streams. Therefore, the board would need additional staffing and funding to work towards implementing the in-stream flow guidelines adopted by the fisheries agencies.

**Staff Recommendation.** Staff recommends that the Subcommittee direct staff, LAO, DOF, and the board to identify alternative funding sources for augmenting the board's water rights program to continue needed environmental work to implement the in-stream flows adopted by the fisheries agencies.

## 5. Monitoring Activities

**Background.** The foundation of much of the board's work involves the monitoring of ambient water quality, including basin planning, setting standards and permitting. According to a recent report by the U.S. EPA, the state is able to report on the health of only 22 percent of its coastal shoreline, 34 percent of its lakes and reservoirs, and 15 percent of its rivers and streams. The state's ambient water monitoring programs include the Surface Water Ambient Monitoring Program (SWAMP) and the Groundwater Ambient Monitoring Assessment (GAMA).

**Governor's Budget.** The SWAMP program is funded by approximately \$5.5 million in fees assessed on waste dischargers in the budget year. This includes approximately \$2 million to support 17 positions and \$3.5 million for contracts.

Approximately \$10 million is proposed from Proposition 50 bond funds to fund the GAMA program in the budget year. The board has indicated that it is currently working on implementing a groundwater monitoring plan that was established in statute. This plan includes completing a baseline hydro-geologic assessment to determine how groundwater flows. The board proposes that it will spend approximately \$50 million over five years to sample wells around the state and establish a baseline set of data on groundwater quality.

**Monitoring Programs Under Funded.** Funding for water quality monitoring has been reduced over the past several years as General Fund budget reductions have impacted the board. Currently, the SWAMP program is monitoring at only 50 sites statewide. This level of monitoring leaves significant data gaps, because many of the state's water bodies remain unmonitored. The GAMA effort, currently underway, will create a much needed baseline set of information. However, currently, no ongoing funding sources are available to continue to monitor groundwater quality.

**Numerous Monitoring Programs Exist.** The state board's ambient water quality monitoring programs are not the only water quality monitoring programs in the state. Currently there are many monitoring efforts underway at the local, state and federal levels. However, these efforts have not been coordinated due to the existence of so many different protocols and agency interests. The lack of coordination among these efforts means that information is not being used as effectively as it could be. In addition, redundant monitoring activities occur because of the lack of basic information on the scope of monitoring activities throughout the state. The state is currently implementing hundreds of million of dollars in water quality improvements that will essentially go unmeasured without a coordinated water quality monitoring program in place.

**Federal Funds.** The board receives approximately \$10 million annually in Section 106 funds from the Clean Water Act. Staff understands that these funds are supposed to be used to support a robust monitoring program. However, these funds have not been used to support monitoring activities, but, instead, are used to support the board's regulatory programs. The board's water quality regulatory programs are, by statute, funded by fees on entities that pollute state waters. It is, therefore, unclear why the federal funds are funding activities that could be supported by fees.

**Staff Recommendation.** Staff recommends that the Subcommittee direct the board to provide additional information on its expenditure of Section 106 federal funds and direct staff, LAO, DOF, and the board to work on options for better coordinating the state's monitoring programs so that the state can effectively utilize data currently being collected.

## 6. Septic Tank Regulations—Informational Issue

**Background.** Legislation enacted in 2000 (AB 885, Jackson) requires the board to adopt regulations and standards for the permitting and operation of septic tank systems by January 1, 2004. The board still has not adopted these regulations. Leaking or poorly functioning septic tank systems contribute to the bacteriological contamination of groundwater and, in the coastal zone, ocean water and beaches. Many beach closures are related to pollution caused by these systems.

**Update on Process.** The board has indicated that it has developed draft regulations to implement this statute. These guidelines would require testing of wells near septic systems, as well as certain standards for new septic systems. The board has indicated that these regulations have not been implemented due to ongoing concerns by members of the stakeholder community regarding implementing these rules. Implementation of these regulations is required by current law and implementation of this law is currently over one year late.

The Subcommittee may wish to ask the board to provide information on how it plans to proceed in implementing AB 885.

## SUBCOMMITTEE NO. 2

## Agenda

Sheila Kuehl, Chair  
Bob Dutton  
Alan Lowenthal



Monday, May 9, 2005  
Upon Adjournment of Session  
Room 112

### Agenda (Part 1 of 2)

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### Resources—Environmental Protection—Energy

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

## Vote Only Agenda

### 3600 Department of Fish and Game

#### 1. Technical Bond Issue

**April Finance Letter.** The Governor has submitted an April Finance letter requesting an amendment to the budget reducing DFG's Proposition 40 bond funds by \$1 million. These funds were inadvertently included in the Governor's budget. This reduction does not impact any of the department's programs.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the amendments proposed in the Governor's April Finance letters.

### 3860 Department of Water Resources

#### 1. California Energy Resources Scheduling—Pro Rata

**Previous Subcommittee Action.** At the April 18 meeting of the Subcommittee, the \$47.4 million administrative budget for the California Energy Resources Scheduling (CERS) division of the Department of Water Resources (DWR) was approved. The CERS division is supported by revenues from the Electric Power Fund.

**April Finance Letter.** The April Finance letter proposes to reduce the DWR CERS administrative budget by \$15 million from the Electric Power Fund to adjust the pro rata assessment. (Pro rata is charged to all special funds to support activities of the state control agencies, the Department of Finance, State Controller, etc.)

**Staff Recommendation.** Staff recommends that the Subcommittee approve the amendments proposed in the Governor's April Finance letters.

#### 2. Integrated Regional Water Management Grant Program

**Governor's Budget.** The budget includes \$47.9 million in Proposition 50 bond funds for the second round of Integrated Regional Water Management grants for projects.

**Previous Subcommittee Direction.** At the April 25 meeting of the Subcommittee, action was withheld on these funds so that staff could evaluate the role of this program in funding the CALFED program under the California Bay-Delta Authority's current two-year financing plan.

**Staff Recommendation.** Staff has evaluated the role of the program in funding the CALFED program and recommends that the Subcommittee approve funding for the second round of Integrated Regional Water Management grants.

### 3. Desalination Grant Program

**Governor's Budget.** The budget includes \$21.3 million for the second round of grants that will fund feasibility studies and assist in the construction of projects for desalination of ocean or brackish waters.

**Previous Subcommittee Direction.** At the April 25 meeting of the Subcommittee, action was withheld on these funds so that staff could evaluate the role of this program in funding the CALFED program under the California Bay-Delta Authority's current two-year financing plan.

**Staff Recommendation.** Staff has evaluated the role of this program in funding the CALFED program and recommends that the Subcommittee approve funding for the second round of desalination grants.

## 3900 Air Resources Board

### 1. Haagen-Smit Laboratory Seismic Upgrades

**Background.** The Haagen-Smit Laboratory in El Monte, California. The site of a large portion of the board's emission testing activities.

**April Finance Letter.** The letter proposes \$103,000 from the Air Pollution Control Fund to fund preliminary plans for seismic retrofit improvements to the Haagen-Smit Laboratory in El Monte, California. The Department of General Services recently conducted a seismic evaluation and found that this building was extremely vulnerable to structural damage in the event of an earthquake.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the April Finance letter proposal.

## 3960 Department of Toxic Substances Control

### 1. Stringfellow Pretreatment Plant

**Background.** The Stringfellow Hazardous Waste site is a former Class I landfill that has been closed. Pretreatment of contaminated groundwater is required before it is discharged into the industrial sewer to meet effluent quality standards. The existing pretreatment plant was constructed in 1985 as an interim plant, intended to last three to five years, and is past its useful life.

**April Finance Letter.** The letter proposes \$3.1 million in General Fund monies to support preliminary plans for the construction of a new pretreatment plant to treat contaminated

groundwater from the Stringfellow Hazardous Waste site. This activity will not result in General Fund appropriations beyond those already included in the Governor's budget or in prior budget appropriations. Specifically, to fund this proposal, the administration proposes to reappropriate \$2 million in General Fund monies from previous appropriations that have not been expended. The remainder (\$1.1 million) is proposed to be redirected from the department's state operations budget to support Stringfellow management.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the April Finance letter proposal.

## 7300      Agricultural Labor Relations Board

### 1.    Re-Establish Vacant Positions

**April Finance Letter.** The letter proposes to re-establish two positions at the board that have been vacant for more than six months. These positions would be eliminated by Government Code 12439 which requires that positions that are vacant for more than six months be abolished. The proposal seeks to re-establish legal staff at the Salinas Regional Office and an analyst position at the ALRB headquarters.

The legal staff positions at the Salinas Regional Office have been hard to fill given the nature of the work and the location of the office. The board has not been actively trying to fill the analyst position at headquarters and tried, instead, an interagency agreement with EDD to fulfill certain administrative functions. This interagency agreement has not worked out and the board has decided to actively recruit to fill this position. The administration finds that these positions are needed to carry out the mandates of the board.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the April Finance letter proposal.

## 8570      California Department of Food and Agriculture

### 1.    Position Management

**Background.** The LAO, in its 2004-05 Analysis, found that CDFA's management of its budgeted positions deviated significantly from standard state administrative procedures. Nearly half of CDFA's positions were created at the discretion of the department and without approval of the Legislature or the Department of Finance. As part of the 2004-05 budget process, trailer bill language was enacted that required the department to conform to standard administrative procedures in creating and managing its positions. In addition, the department was required to report to the Legislature by January 10, 2005, on these positions, including providing a description of the workload associated with the positions.

**Governor's Budget.** The department has established all of its positions through the normal state administrative procedures.

**Previous Subcommittee Meeting.** At the March 14 meeting of this Subcommittee, the Subcommittee withheld action on the department's Agriculture Fund budget until a report was submitted describing the workload associated with the positions established under normal state administrative practices.

**Report Submitted.** The department submitted a report that described the workload associated with the 484 positions that were established under normal state administrative practices in 2004. The report indicates that these positions were dedicated to the following activities:

- **Executive and Management.** 26 positions support executive and management services, which include positions that support priority and policy setting efforts of the Secretary's office.
- **Administrative Services.** 21 positions support administrative services, which include fiscal operations, personnel management, data processing, and general operations of the department.
- **Pierce's Disease Control Program.** 34 positions support the Pierce's Disease Control Program, which is a statewide program partially funded by an assessment on the grape industry to control the statewide impact of Pierce's disease.
- **Division of Animal Health and Food Safety Services.** 54 positions support the division of animal health and food safety services, which includes the state veterinarian as well as other positions that assure the safety, availability and affordability of agriculture products in California.
- **Division of Plant Health and Pest Prevention Services.** 39 positions support the division of plant health and pest prevention services, which protects California from damage caused by the introduction and spread of harmful plant pests.
- **Division of Marketing Services.** 106 positions support the division of marketing services, which promotes California food and agriculture products through research, marketing, and technical assistance to growers.
- **Division of Inspection Services.** 156 positions support the division of inspection services, which conducts a variety of voluntary and regulatory programs that ensure food safety.
- **Division of Measurements and Standards.** 39 positions support the division of measurements and standards, which ensures that commercial transactions based on weigh master certificates are accurate.
- **Division of Fairs and Expositions.** 1 position supports contract oversight for the division of fairs and expositions, which provides fiscal and policy oversight to the state's network of fairs and expositions.
- **Agricultural Export Program.** 2 positions support activities that strengthen and expand California's agricultural exports.
- **Office of Agriculture and Environmental Stewardship.** 3 positions support the department's office to support and enhance agriculture in conserving and protecting natural resources.
- **Grant Management Program.** 3 positions support the administration of specialty crop grant funds received from the federal government.



The LAO has found that this report satisfies the reporting requirements. Staff finds that the information provided by the department will be very helpful in evaluating the staffing needs of the department in the future.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the Agriculture fund budget as proposed.

## 2. Milk and Dairy Food Safety Compliance Program

**Background.** The department regulates the milk and dairy food industries to ensure compliance with state and federally required inspection and enforcement to ensure that products are sanitary and free of illegal drug residues. This program includes enforcing on-farm compliance, antibiotic residue investigations, and mandatory evaluation and training requirements for licensed milk samplers.

The dairy industry has grown over the past several years and the department has fallen out of compliance with federal Food and Drug Administration inspection requirements. Several pieces of legislation (AB 3045, AB 3046, and AB 2916), have authorized additional fees for these activities, including increased assessments on dairy farmers out of compliance and increased fees on licenses issued to milk samplers and milk processors.

**Governor's Budget.** The budget proposes \$1.1 million from the various fee revenues (deposited in the Agriculture Fund) increased by legislation in the current year to augment the department's milk and dairy food safety compliance program. Approximately \$1 million of the funds are proposed as an ongoing augmentation to the department's program to support 5 new positions to increase inspection activities and bring the department's program back into compliance with federal regulations. One-time funds are proposed to replace outdated inspection vehicles and computer equipment.

**April Finance Letter.** The letter proposes \$17,000 from the Agriculture Fund to fund a price increase not included in the Governor's January 10 proposal to augment the Milk and Dairy Food Safety Compliance program.

**Staff Recommendation.** No issues have been raised with this proposal. Staff recommends that the Subcommittee approve the budget change proposal and April Finance letter.

## 0555 Secretary for Cal-EPA

### 1. Hydrogen Highways

**Background.** On April 20, 2004, Governor Schwarzenegger signed Executive Order S-7-04 (EO) describing his administration's commitment to "achieving a clean energy and transportation future based on the rapid commercialization of hydrogen and fuel cell technologies". In response to the EO, the California Hydrogen Highway Network Blueprint Plan (Plan) was developed by five teams that included approximately 200 representatives from both the private and public sectors.

The administration is also sponsoring a bill related to this subject. Senate Bill 250 (Campbell) classifies hydrogen as a transportation fuel and directs the California Department of Food and Agriculture's Division of Measurement Standards to develop interim specifications for hydrogen transportation fuel. This bill passed out of the Senate Committee on Environmental Quality on April 25 and was referred to the Senate Committee on Transportation and Housing.

A number of other states have initiated support for hydrogen technology in the form of tax breaks for manufacturers, tax incentives for buyers, research grants, and low-cost loans to fund job creation, research grants, and worker training. These efforts have been funded through rate payer surcharges, bonds, and general taxpayer funds.

**April Finance Letter.** The Governor has submitted an April Finance letter requesting an increase in the Air Resources Board's budget by \$12.2 million and the Secretary for Environmental Protection by \$154,000 to support the implementation of the Hydrogen Highway Network Blueprint Plan. Approximately \$6.9 million comes from the Motor Vehicle Account and \$5.5 million comes from the Energy Resources Programs Account (funded by a surcharge on the sale of electricity).

Specifically, the funds will support \$9.5 million in incentive grants, \$1 million in contracts and \$1.4 million to support 15 positions to start the first phase of implementation of the Hydrogen Highway Network Blueprint Plan. The Plan eventually calls for 50 to 100 hydrogen fueling stations in California, along with support for the deployment of hydrogen vehicles and a biennial progress review.

The incentive grants will be used to provide 50% cost shares with private entities to build 11 hydrogen fueling stations. Each station will cost approximately \$1 million. Additionally, incentive grants will provide up to \$4 million for individual \$10,000 subsidies toward the purchase of a hydrogen vehicle. A hydrogen fuel cell vehicle currently costs approximately \$1 million and there are approximately 100 vehicles in California. The administration expects that the number of fuel cell vehicles will increase to about 300 over the next one to two years.

The staff and contract funding will be used to support the following activities: formalizing public private partnerships, developing appropriate codes and standards, siting potential hydrogen fueling stations, implementing the vehicle subsidy, public education, and hydrogen use research.

**Concerns with the Governor's Proposal.** The Governor's plan to lessen California's dependence on fossil fuels is laudable, but faces barriers to implementation that extend beyond the availability of funding. Though the blueprint is detailed, certain information has not yet been fully vetted. These issues are outlined below:

- **Vehicle Incentives.** It is unclear whether the vehicle subsidies will be provided to the buyer or to the manufacturer. Moreover, it is unclear that a \$10,000 subsidy on a \$1,000,000 vehicle provides much incentive. The administration has indicated that the vehicle incentives represent a "good faith" effort on the part of California to invest in Hydrogen power vehicles.
- **Co-funding of Hydrogen Network Stations.** The April Finance letter proposes co-funding up to 11 Hydrogen fueling stations throughout the state. For each station, California will contribute approximately \$500,000. The details of the sharing arrangement have not been finalized. The ownership of the station and research developed by the station are unclear. In addition, California's responsibility for any negative effects of the station has yet to be delineated.
- **Timing for Implementation.** Though there are a number of other states investing in Hydrogen technology, affordable, reliable hydrogen vehicles have not been developed. There is considerable dispute in the scientific community over when such technology will be developed. At this point, the reality of a hydrogen highway is burdened by both technological feasibility and economic realities. The administration has indicated that the hydrogen fueling stations ultimately utilized by the commercially available hydrogen cars in the future may use significantly different technology than those available today. Raising the question of whether the state should invest in the construction of fueling stations that will not necessarily be compatible with hydrogen vehicles being developed in the future.
- **Environmental Benefits.** Most hydrogen created today will be created through the utilization of natural gas. Though the Plan will use renewable energy at a rate greater than the RPS requires, the vision of zero emissions – from the production to the use of the Hydrogen – is not viable at this time.

**LAO Concerns.** The LAO has raised concerns with the administration's plan to establish a hydrogen highway program through the budget process. The LAO indicates that the Legislature has not authorized this project through the normal policy committee process and recommends that legislation be enacted prior to approving funding for this activity. Senate Bill 250 (Campbell) could be used to establish such a program, but it is currently moving through the legislative process.

**Staff Comments.** Given the long-term nature of this project, staff finds that it may be best to delay implementation of some parts of this plan. Furthermore, the Energy Resources Program Account funds proposed to be expended on this activity are General Fund fungible and could be used for other legislative priorities.

**Staff Recommendation.** Staff recommends that the Subcommittee direct staff, the LAO and the administration to work on developing a compromise proposal that furthers the development of Hydrogen fuels in the budget year. This proposal should address concerns raised in the analysis,

focus on important first steps and include legislation guiding the implementation of the blueprint plan.

## 3110 Tahoe Regional Planning Authority

### 1. Salary Adjustments

**Governor's Budget.** The budget includes a \$176,000 increase from the Environmental License Plate Fund to fund an 8 percent increase in salaries at the Tahoe Regional Planning Authority. This increase is needed so that the agency can keep pace with other state agency salary increases made over the last several years.

**Previous Subcommittee Direction.** At the March 14 meeting of the Subcommittee, the Authority was directed to provide additional information on why the proposed increases in salaries could not be funded from salary savings.

**Department Response.** The Agency has indicated that it has been operating with less than a 2 percent vacancy rate, which means that additional salary savings are not available. Furthermore, the Agency has provided additional information indicating that staffing turnover has been a significant problem and that uncompetitive salary levels is one of the factors impacting the Agency's high turnover.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the Agency's budget proposal to increase salaries by 8 percent.

## 3340 California Conservation Corps

### 1. Collins-Dugan Reimbursement Account

**Governor's Budget.** The budget proposes expenditures of \$31.7 million from the Collins-Dugan Reimbursement Account. The proposed level of Collins-Dugan Account expenditures is projected to leave the account with a reserve of \$15.8 million—or about 50 percent of proposed expenditures—at the end of 2005-06.

The budget proposes to increase expenditures from the Collins-Dugan Reimbursement Account by \$3.3 million in the budget year. These funds are proposed to restore funding for the Corps' residential center in Ukiah and statewide evening education and training programs. Funding for the Ukiah facility and programs were reduced significantly in the last several years due to General Fund reductions. Approximately 34 positions (14 for the Ukiah facility) are proposed to be restored, funded by the proposed increase in funding from the Collins-Dugan Reimbursement Account.

**Previous Subcommittee Direction.** At the April 11 meeting of the Subcommittee, the Corps budget was held open pending additional justification of the Corps Collins-Dugan Reimbursement Account proposal. Specifically, the Corps was directed to address the large balance proposed to be left in this account at the end of the budget year. The LAO proposes using this reserve to fund the Corps in the budget year, thereby creating one-time General Fund savings.

**Department Response.** The department has found that the fund condition statement included in the budget is incorrect. The department has advised staff that the revised Collins-Dugan Reimbursement Account balance for 2004-05 is estimated to be approximately \$10.4 million. This is \$6.8 million less than the \$17.2 million estimated in the budget and reduces the fund balance projected for the budget year to \$3.7 million instead of the \$15.8 million shown in the Governor's budget.

The Corps indicates that fewer revenues were received in the current year due to lower than projected corpsmember counts. Furthermore, some General Fund reductions were not fully implemented until March 2005 and Collins-Dugan Reimbursement Account revenues were being used to support activities that had previously been supported by the General Fund.

**LAO Update.** The LAO finds that the revised fund condition put forward by the department is more reflective of reality. However, the LAO has indicated that the Corps continues to rely on optimistic assumptions regarding reimbursement rates for Corp activities. Therefore, the LAO has recommended adopting supplemental report language to provide the Legislature with additional information on actual financial performance so that adjustments can be made to the department's budget, if needed, to better reflect reality. The LAO also recommends adopting supplemental report language that would correct, for the record, the erroneous fund condition statement presented in the Governor's January 10 budget.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt the Collins-Dugan Reimbursement Account proposal and the LAO's proposed supplemental report language.

## 3540 Department of Forestry and Fire Protection

### 1. Funding for Fire Protection Equipment and Services

**Governor's Budget.** The budget proposes \$10.8 million in General Fund monies to replace fire engines and eleven firefighting helicopters. This augmentation is proposed as an ongoing augmentation to the \$6.8 million baseline funding for fleet replacement. The augmentation would increase the fleet replacement budget by over 150 percent.

**Previous Subcommittee Direction.** At the April 18 meeting of the Subcommittee, the department was directed to provide additional information to staff regarding how the proposed augmentation would address the department's backlog in replacing fire protection equipment. At this meeting, the Subcommittee adopted budget bill language directing the department to study

their helicopter requirements and options for financing replacements to the department's current air fleet.

**Department Response.** The department has provided staff with additional information on its existing backlog in replacing fire protection equipment. The department's backlog of equipment that is past its useful life is valued at approximately \$58 million (not including the department's air fleet). The department's analysis indicates that if the department expends approximately \$17.1 million annually on equipment replacement, it would eliminate its backlog of old ground equipment by 2013-14. This analysis does not include assumptions about inflation, loss or damage of equipment in fire events, or the replacement of the department's aging helicopter fleet. Staff finds that this analysis is sufficient to justify the augmentation requested.

Furthermore, the department has indicated that it plans on spending the bulk of its equipment budget on the replacement of fire engines over the next three years. The department has indicated that it would need to start replacing its aging helicopter fleet starting in 2008-09. Therefore, if the department started purchasing helicopters in 2008-09, the department would not stay on schedule to reduce its backlog of fire engines by 2013-14. The department estimates that new helicopters will cost approximately \$10 million each and has indicated that military surplus helicopters are not likely to be available as they have been in the past.

**Additional Detail for Future Years.** The staff finds that the additional detail on equipment that is proposed to be replaced in the budget year is helpful. In the past, the department has provided less detail as part of the Governor's budget. The department has indicated that it could provide the additional detail about actual and proposed equipment purchases as part of the Governor's budget. The LAO has drafted compromise supplemental report language that is agreeable to the department.

**Staff Recommendation.** Staff recommends that the Subcommittee:

- Approve the department's \$10.8 million General Fund proposal to replace old fire equipment; and
- Approve LAO compromise supplemental report language requiring the department to provide additional detail on the department's actual and proposed equipment purchases annually as part of the Governor's budget.

## 3560 State Lands Commission

### 1. Oil Spill Prevention and Response Program

**Governor's Budget.** The Governor's budget proposes to expend \$32 million from the Oil Spill Prevention Administration Fund (OSPAPF) in the budget year. Approximately \$9 million is proposed for expenditure by the State Lands Commission (SLC) and \$21.5 million by the Department of Fish and Game (DFG). The administration is proposing two augmentations to SLC's program for the budget year:

- \$100,000 to monitor oil and gas seeps and develop containment and recovery programs to reduce air emissions and offshore pollution.
- \$499,000 and 4 positions to enable SLC to do comprehensive audits of oil and gas facilities every 3-5 years.

**Previous Subcommittee Direction.** At the March 14 meeting of the Subcommittee, action was withheld on the commission's Oil Spill Prevention and Response program until additional information was received regarding the specific recommendations made by a recent DOF audit of the program, including DFG's activities.

**Staff Comments.** After further review of the audit, staff has determined that the majority of the issues related to administration of the OSPAF are related to activities at DFG. These issues will be addressed in DFG's budget.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the commission's proposals funded by OSPAF.

## 2. Tidelands Oil Revenues

**Background.** During the 2004 budget negotiations, staff found that the administration's estimates for tidelands oil revenues were far below what was anticipated due to higher than expected oil prices. The Governor proposed to sweep all of the tidelands oil revenues into the General Fund instead of allocating these funds to the resource priorities set in statute. The Legislature enacted a compromise position that shifted some money to the General Fund, but shifted additional revenues to other resource priorities. The 2004-05 budget allocated tidelands oil revenues in the following order:

- \$500,000 to the Marine Life Protection Act;
- \$165 million to the General Fund;
- \$10 million to ocean projects and \$2.7 million to parks projects in the City of Los Angeles;
- \$6.5 million for salmon and steelhead restoration;
- \$1.5 million for environmental review of stream flow requirements on mid-California coastal streams; and
- \$4 million for fish hatchery operations.

**Previous Subcommittee Direction.** At the March 14 meeting of the Subcommittee, budget bill language was adopted to extend the liquidation period for appropriations of tidelands oil revenues made in the 2004-05 budget.

**Revenue Update.** Thus far, tidelands oil revenues that have been received have covered only the \$500,000 for the Marine Life Protection Act and \$140 million to the General Fund. The other allocations have not been made because sufficient revenues have not been received. The Commission estimates that \$5-8 million may be available to fund ocean projects and park projects in the City of Los Angeles. However, no other allocations will be likely.

**City of Long Beach Deductions.** One reason adequate revenues have not been received stems from deductions made by the City of Long Beach from payments to the state for tidelands oil. These funds are being deducted by Long Beach to fund future cleanup and abatement of oil production in San Pedro Bay. On March 30, 2005, the California Supreme Court denied hearing the state's case against the City of Long Beach related to the deductions. Given this decision, the City of Long Beach has indicated that it will begin again to deduct payments from tideland oil payments to the state. The City has indicated that it will deduct approximately \$4 million monthly to catch up for the months when the court ordered the collections to end. The City of Long Beach currently has on deposit approximately \$80 million in tidelands oil revenues that were previously deducted from payments to the state.

**Statutory Changes Could Halt Long Beach Deductions.** Staff has been advised that statutory changes could be made that would clarify current law and require the City of Long Beach to return funds that were deducted from tideland oil payments to the state. Amendments to state law could also prohibit future deductions by the city. If language such as this were to be adopted, additional funds would be available for priorities specified by the Legislature in the current year. Since the Governor's budget proposes to transfer all revenues received in the budget year to the General Fund, this language would also increase General Fund revenues.

**Tidelands Allocations to Expire.** Current law requires that state tideland oil revenues be allocated to various activities. The Governor's budget proposes to suspend current law and sweep these revenues to the General Fund. Therefore, if the Subcommittee decided to delete the provision of the budget that suspends current law, tideland oil revenues would fund the following priorities:

- The first \$8 million to be deposited in the Salmon and Steelhead Trout Restoration Account for expenditures by the Department of Fish and Game (DFG) for the recovery of salmon and steelhead trout.
- The next \$2.2 million to go to the Marine Life and Marine Reserve Management Account for expenditure by DFG for marine life management.
- The next \$10 million to be deposited in the State Parks Deferred Maintenance Account for expenditure by the Department of Parks and Recreation for deferred maintenance expenses.
- Finally, any remaining money is then deposited in the Natural Resources Infrastructure Fund. These funds are used for: (1) environmental review and monitoring by DFG, (2) Natural Community Conservation Plan acquisitions, (3) Habitat Conservation Fund funding requirements, and (4) non-point source pollution control programs. Funds not appropriated to these priorities are available to be spent generally on natural and recreational resources.

The allocations listed above are set forth in a statute that is set to expire at the end of the budget year. If this statute is allowed to expire, tidelands oil revenues will automatically be swept into the General Fund. Senate Bill 1086 (Migden) would extend the sunset of allocations set in current law for five more years.

**Staff Recommendation.** Staff recommends that the Subcommittee withhold action on the allocation of tidelands oil revenues for the budget year, including making statutory changes to



extend current allocations until after the May Revision. Staff also recommends that the Subcommittee direct staff to evaluate impacts of enacting legislation that would halt the City of Long Beach's deductions, including impacts on the City of Long Beach.

## 3760 State Coastal Conservancy

### 1. Fish Passage Barrier Study

**Background.** The State Coastal Conservancy has gathered extensive information on barriers to migratory fish passage in California's coastal watersheds. However, tremendous gaps in the data still exist. Of the 13,000 coastal fish passage assessment sites, approximately 9,000 need further evaluation. The Conservancy and other agencies are continuing to analyze this data and to implement projects remediating some of the highest priority barriers.

The Department of Transportation (Caltrans), which owns over 200,000 culverts statewide, has a 2005-06 budget proposal that includes \$3.5 million and 40 positions to initiate a statewide culvert inspection and repair program. This proposal, however, does not include resources to continue to perform fish passage assessments such as those done in a pilot North Coast study, released in February of this year. This study covered three north coast counties, but a similar program is needed for the rest of the state's coastal streams bearing anadromous fish.

**Previous Subcommittee Direction.** At the April 11 meeting of the Subcommittee, staff was directed to work with Subcommittee No. 4 to direct Caltrans to submit, as part of their proposed culvert inspection program, a more refined estimate for costs associated with completing fish passage assessments on priority coastal watersheds and stream crossings, including funding sources for these activities.

**Update.** On April 12 a letter was transmitted to Caltrans requesting more information and an estimate of costs associated with including fish passage assessments of priority coastal watersheds as part of their culvert inspection program. In a response from Caltrans dated April 20, the department indicated that it would cost between \$6 and \$9 million over the next four years to complete the highest priority coastal fish passage assessments (\$1.5 million to \$2.25 million annually). The department also indicates that it would cost an additional \$3 to \$6 million to complete fish passage assessments for the remainder of the coastal watersheds and \$4 to \$8 million for inland watersheds, again within four years.

In subsequent meetings with legislators, Caltrans' Director Kempton committed to targeting priority coastal watersheds for fish passage assessment as part of its statewide culvert maintenance budget proposal that is currently being considered by Senate Budget Subcommittee No. 4 and through its ongoing culvert maintenance activities. It was mutually agreed that a comprehensive approach among state agencies to address fish passage was desirable. Therefore, Caltrans has committed to working with other state agencies such as the Coastal Conservancy to share information and target their activities for the greatest success.

**Staff Recommendation.** Staff recommends that the Subcommittee direct staff to work with Subcommittee No. 4 and the administration to draft budget bill control language that directs Caltrans to target its statewide culvert assessment projects to priority coastal watersheds, so that significant progress on the highest priority watersheds is realized within four years.

## 3790 Department of Parks and Recreation

### 1. Disaster Repairs—Technical Bond Issue

**Background.** The 2004 budget provided \$6.8 million in Proposition 40 bond funds to rebuild facilities damaged by the 2003 San Simeon earthquake and Southern California fires. Approximately \$6 million was allocated for repairs to the Cuyamaca Rancho State Park and the Silverwood Lake State Recreation Area, both parks damaged by the Southern California fires. Approximately \$750,000 was allocated for damage caused to state park facilities from the San Simeon earthquake. In both cases, these events were declared a federal disaster and projects are eligible for 75 percent of total costs from the Federal Emergency Management Agency (FEMA).

**Governor's Budget.** The Governor's budget proposal includes \$6.2 million in Proposition 40 bond funds to fund the state's share of repairs at the state park facilities damaged by the San Simeon earthquake and Southern California fires. These are the same funds that were provided in 2004. However, only \$600,000 of these funds will be expended in the current year due to delays in coordinating with FEMA on the needed repairs. The department will be able to encumber the funds proposed in the 2005 budget through 2007-08.

**April Finance Letter.** In order to settle up the Proposition 40 bond fund condition, the Governor has submitted an April Finance letter that proposes to revert \$6.2 million of the Proposition 40 bond funds allocated in the 2004 budget. These funds were technically available to the department to expend until 2006-07. Therefore, without this reversion, there would technically be two appropriations for the same funds (the appropriation made in 2004 and the proposed appropriation in the 2005 budget), which would have resulted in an overdrawn fund condition. This proposal would correct this technical issue and settle up the Proposition 40 bond fund condition.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the amendments proposed in the Governor's April Finance letters.

### 2. Empire Mine Pollution Mitigation Study

**April Finance Letter.** The letter proposes \$500,000 from the General Fund to support consulting contracts to study the presence of contaminants at the Empire Mine State Historic Park. The park is the site of major mining activities that operated for over 100 years. It is known that there are various contaminants that cause potential health risks present at the park, including asbestos, radon, and various metals. The studies funded include a human health risk assessment and a storm water pollution prevention plan.

The department has indicated that a notice of violation and intent to file suit under the Federal Water Pollution Control Act was received by the department in the fall of 2004 related to water and soil contamination at the Empire Mine State Historic Park. Receipt of this notice, as well as industrial storm water permit requirements by the State Water Resources Control Board, have necessitated this request.

**LAO Alternative.** The LAO has identified the Surface Mining and Reclamation Act (SMARA) fund as an alternative to the General Fund for funding this activity. The SMARA account funds are available for the remediation of abandoned mines. The LAO finds that there is a \$2 million fund balance projected for 2005-06 and that funds could be used on a one-time basis without impacting other state programs. Under current law, SMARA funds are only available to remediate abandoned mines that were operational after 1976. Legislation (SB 1110), to amend current law to allow for the remediation of historic abandoned mines, is currently being considered. Nevertheless, the LAO indicates that “notwithstanding” language could be included in budget bill language that would allow for the use of SMARA funds to support this activity.

**Staff Comments.** Staff is concerned that utilizing SMARA funds for this activity would reduce available funds to remediate safety concerns related to abandoned mines not owned by the state. Many of these mines pose significant threats to human health.

**Staff Recommendation.** Staff recommends that the Subcommittee direct staff, the LAO, and the administration to evaluate the opportunity costs of using SMARA funds for planning and environmental assessment of the Empire Mine State Park.

## SUBCOMMITTEE NO. 2

## Agenda

Sheila Kuehl, Chair  
Bob Dutton  
Alan Lowenthal



Monday, May 9, 2005  
Upon Adjournment of Session  
Room 112

### Agenda (Part 2 of 2)

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### Resources—Environmental Protection—Energy

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

## CALFED Program

**Previous Subcommittee Direction.** At the March 14 meeting of the Subcommittee, state funding for the CALFED program was deleted pending receipt of a workable finance plan that included realistic ten-year funding targets and sustainable funding from all beneficiaries, as well as the necessary administrative process to implement the finance plan. The Subcommittee indicated that this plan was to be submitted by April 1 so that the Subcommittee could have adequate time to consider the administration's proposal.

The matrix below outlines the funding deleted from the Governor's budget at the March 14 meeting of the Subcommittee. These totals do not include reimbursement funds that were also deleted from the budget.

<b>Department</b> (\$ in thousands)	<b>General Fund</b>	<b>Other Bonds</b>	<b>Prop 50</b>	<b>Special Funds</b>	<b>Total</b>
Conservation	\$0	\$0	\$3,234	\$96	\$3,330
Forestry and Fire Protection	0	0	154	0	154
Water Resources Control Board	0	6,998	1,317	144	8,459
Bay Conservation & Development Commission	88	0	0	0	88
Fish and Game	878	0	4,650	1,841	7,369
Water Resources	2,402	51,161	141,555	27,164	222,282
Bay-Delta Authority	8,522	0	6,077	5,074	19,673
<b>Total</b>	<b>\$11,890</b>	<b>\$58,159</b>	<b>\$156,987</b>	<b>\$34,319</b>	<b>\$261,355</b>

By the time of the April 4 meeting of the Subcommittee, a CALFED finance plan had not been submitted by the administration. At that time, the Subcommittee chair directed staff to begin to work on a "life support" budget for CALFED.

The proposal outlined in this document constitutes the staff recommendation to the Subcommittee on a "life support" budget for the CALFED program for the 2005-06 budget.

## General Recommendations

**Require a Zero-Based Budget for the CALFED Program.** Staff finds that the CALFED program is at a critical juncture, and has not implemented the “beneficiary pays” principles outlined in the Record of Decision. Furthermore, a considerable number of concerns have been raised regarding the appropriate size of the program, overall. Staff finds that additional information justifying the entire CALFED program is needed to address some of these concerns. Additional justification could be provided by the administration if it chose to prepare a zero-based budget for the 2006-07 budget. A zero-based budget would require the administration to justify all expenditures that support the CALFED program, as opposed to current practice, which provides justification only for the changes being proposed to the budget. Staff finds that this information would enable the Legislature and the public to gain a better understanding of the overall size of the CALFED program and how the funds are being expended.

- **Staff Recommendation.** Staff recommends that the Subcommittee adopt supplemental report language to request that the administration to submit a zero-based budget for the CALFED program for the 2006-07 budget year.

**Bond Funds in Base Budget Need Additional Explanation.** Staff finds that bond funds are one-time in nature. However, the administration has included bond funds in its base budget. In some cases, local assistance funding has also been included in base budget expenditures. Staff finds that this practice has evolved over the past several years when some ongoing activities that were formerly supported by the General Fund were shifted to bond funds. Regardless, staff finds that this practice is not sustainable since bond funds are not an ongoing funding source. Staff finds that this budgeting practice is not transparent and is not sustainable.

- **Staff Recommendation.** Staff recommends that the Subcommittee adopt trailer bill language that would require the administration to provide the following: (1) additional information on the state operations bond funds included in the base budget, and (2) budget change proposals for all local assistance and capital outlay expenditures supported by bond funds. The information on the state operations, supported by bond funds, can be provided in a supplemental report or as an addendum to other bond-related budget change proposals being submitted.

## Funding Summary

**Senate CALFED Budget Summary.** The following chart summarizes the staff recommendations for the Senate's alternative CALFED budget for 2005-06, absent resolution of a long-term financing plan. This budget was constructed along the following general guidelines:

- Expenditures of local assistance and grant funds are generally proposed to be delayed.
- Activities and projects that have not been started, to date, are proposed to be delayed.
- Activities that existed prior to the existence of the CALFED program are proposed to be retained.

Staff understands that the total summary numbers do not match precisely CALFED's budget cross cut nor what was deleted from the budget at the March 14 meeting of the Subcommittee. This is due to the way staff prepared the baseline budget presented in this document and the information provided by the administration regarding CALFED's base budget. Additional work will need to be done with the administration to reconcile these differences.

<b>Department (\$ in thousands)</b>	<b>Governor's Budget</b>	<b>Senate's Budget</b>	<b>Difference</b>
Conservation	\$3,330	\$330	-\$3,000
Forestry and Fire Protection	154	154	0
Fish and Game	3,375	3,209 *	-166
Bay Conservation & Development Commission	88	0	-88
Water Resources	166,009	72,692 *	-93,317
Bay-Delta Authority	38,913	33,839 *	-5,074
Water Resources Control Board	8,315	1,902	-6,413
<b>Total</b>	<b>\$220,184</b>	<b>\$112,126 *</b>	<b>-\$108,058</b>

\*Pending resolution of open items in each category.

## 3480 Department of Conservation

**Staff Recommendation.** The chart below outlines the Governor's proposal to support the CALFED program at the Department of Conservation. Staff recommends that the Subcommittee take action to approve the checked items in the "Approve" column.

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
<b>BASE BUDGET</b>				
<b>Oversight and Coordination</b>	\$96	Soil Conservation Fund	1.0	X
<b>Watershed Program</b>				
- Watershed Coordinator Grants	3,000	Prop 50	0.0	
- Watershed Program Technical Staff Support	234	Prop 50	2.0	X
<b>Total Governor's Budget</b>	<b>\$3,330</b>		<b>3.0</b>	
<b>Total Senate Budget</b>	<b>\$330</b>		<b>3.0</b>	

The recommended changes to the Governor's budget would result in a deferral of local assistance grants until a long-term financing plan for the CALFED program is enacted.

## 3540 Department of Forestry and Fire Protection

**Staff Recommendation.** The chart below outlines the Governor's proposal to support the CALFED program at the Department of Forestry and Fire Protection. Staff recommends that the Subcommittee take action to approve the checked items in the "Approve" column.

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
<b>BASE BUDGET</b>				
<b>Watershed Program</b>				
- Watershed Program Technical Information Support: Watershed Assessment Manual and Fire and Resource Assessment Program Watershed Resources	\$154	Prop 50	0.0	X
<b>Total Governor's Budget</b>	<b>\$154</b>		<b>0.0</b>	
<b>Total Senate Budget</b>	<b>\$154</b>		<b>0.0</b>	



**3600 Department of Fish and Game**

**Staff Recommendation.** The chart below outlines the Governor's proposal to support the CALFED program at the Department of Fish and Game. Staff recommends that the Subcommittee take action to approve the checked items in the "Approve" column.

Several items are recommended to be left open because the department has not provided staff with sufficiently detailed information to determine what the funds are being used for. Staff recommends that the Subcommittee direct the department to work with staff to provide additional information on what is being funded in the department's base budget to support the CALFED program.

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
<b>BASE BUDGET</b>				
<b>Oversight and Coordination</b>	\$166	General Fund	2.0	
<b>Ecosystem Restoration Program</b>				
- Supports regional plan development, field studies, review of permits and environmental documentation, restoration projects.	\$4,350	Prop 50	23.0	Open
- Supports regional plan development, field studies, review of permits and environmental documentation, restoration projects.	\$628	General Fund	5.5	Open
<b>Conveyance Program</b>				
- Supports studies to define fish movement in the delta, assist in the development of technologies in water transfer and fish screening, examine sources of predation.	\$84	General Fund	1.0	Open
<b>Science Program</b>				
- Endangered Species Act compliance for the Interagency Ecological Program and the analysis and dissemination of other scientific data.	\$300	Prop 50	5.0	Open
- Endangered Species Act compliance for the Interagency Ecological Program and the analysis and dissemination of other scientific data.	\$228	Striped Bass Stamp	1.0	Open
<b>APRIL FINANCE LETTER</b>				
<b>Ecosystem Restoration Program</b>				
- Technical correction to eliminate one-time funding inadvertently left in the Governor's proposed budget.	-\$2,381	Prop 50	0.0	X
<b>Total Governor's Budget</b>	<b>\$3,375</b>		<b>37.5</b>	
<b>Total Senate Budget</b>	<b>\$3,209 *</b>		<b>35.5</b>	

\*Pending resolution of open items.

## 3820 San Francisco Bay Conservation and Development Commission

**Staff Recommendation.** The chart below outlines the Governor's proposal to support the CALFED program at the San Francisco Bay Conservation and Development Commission. Staff recommends that the Subcommittee take action to approve the checked items in the "Approve" column.

<b>Activity</b> (\$ in thousands)	<b>Amount</b>	<b>Fund Source</b>	<b>Positions</b>	<b>Approve</b>
<b>BASE BUDGET</b>				
<b>Oversight and Coordination</b>	\$88	General Fund	1.0	
<b>Total Governor's Budget</b>	<b>\$88</b>		<b>1.0</b>	
<b>Total Senate Budget</b>	<b>\$0</b>		<b>0.0</b>	

**3860 Department of Water Resources**

**Staff Recommendation.** The chart below outlines the Governor's proposal to support the CALFED program at the Department of Water Resources. Staff recommends that the Subcommittee take action to approve the checked items or amended in the "Approve" column.

The elimination of local assistance funds and other grant funds will result in a deferral of additional grants until a long-term financing plan for the CALFED program is enacted.

Several items are recommended to be left open because the department has not provided staff with sufficiently detailed information to determine what the funds are being used for. Staff recommends that the Subcommittee direct the department to work with staff to provide additional information on the issues marked "Open."

Some of the actions listed below result in the elimination of staff positions. It is not intended that this budget proposal have significant adverse impacts on ongoing staffing of the CALFED program. Therefore, staff recommends that the Subcommittee direct the department to report on the impacts of these actions and ways in which the Subcommittee could amend the proposal to reduce negative impacts of valuable CALFED program staff.

Staff recommends that the Subcommittee direct the department to provide staff with information regarding the local matching requirement for the Delta Levee Maintenance Subventions program.

Staff recommends that the Subcommittee direct the department to provide staff with information regarding its plans for implementing fish passage structures on the Calaveras River.

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
<b>BASE BUDGET</b>				
<b>Oversight and Coordination</b>				
- Supports review of CALFED-related encroachment permit applications submitted to the Reclamation Board.	\$263	General Fund	2.0	X
<b>Ecosystem Restoration Program</b>				
- Supports federal-state cost-share agreement between DWR, USBR, USFWS, and DFG for fishery restoration activities.	\$1,575	Prop 204	1.0	Open
- Supports studies and grants to address water quality problems causing low dissolved oxygen in the Stockton Deep Water Ship Channel and mercury issues. (These funds are not local assistance.)	\$10,016	Prop 13		Open
- Supports Fish Passage Improvement Program to do fish passage assessment.	\$1,155	Prop 50	5.6	Open
- Supports Aquatic Restoration Planning and Implementation Program to develop fish passage opportunities in the Yolo Bypass.	\$1,011	Prop 50	3.0	
- Supports activities to manage the Four Pumps Agreement to mitigate fish loss at the State Water Project's Delta Pumping Plant.	\$4,385	State Water Project Funds	3.0	X

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
<b>Environmental Water Account</b>				
- Environmental Water Account asset purchases.	\$17,548	Prop 50	0.0	Approve \$8.8 million
- Environmental Water Account purchases state support.	\$550	Prop 50	5.0	Approve \$225,000
<b>Water Use Efficiency</b>				
- Supports the California Irrigation Management Information System and provides technical assistance and outreach for water conservation activities.	\$1,135	General Fund	6.0	X
- Supports administration of Chapter 7 Water Use Efficiency grant program and Chapter 6 Desalination Grant Program.	\$1,113	Prop 50	5.0	X
- Supports technical assistance and review of agricultural water management plans, urban water management plans, and development of new water conservation technologies.	\$1,792	Energy Resources Program Account	10.0	Open
- Loans for agricultural water conservation and agricultural water use efficiency programs.	\$8,436	Prop 13	0.0	
<b>Water Transfers</b>				
- Supports maintenance of the CALFED Water Transfer Clearinghouse and On Tap water transfer database. Also supports coordination with CALFED EWA, Sacramento Valley Water Management Program, and CALFED ERP.	\$460	General Fund	1.5	
<b>Watershed Management</b>				
- Supports administration of Watershed grant program.	\$254	Prop 50	2.0	X

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
<b>Drinking Water Quality</b>				
- Supports modeling ways of improving water quality in the Delta.	\$79	General Fund	0.0	X
- Supports data analysis and Delta computer modeling support for the CALFED drinking water quality program. The current focus is on improving water quality modeling of the upper San Joaquin River.	\$164	Prop 50	1.0	X
- Supports contracts with the Contra Costa Water District for the Old River-Byron Tract and Rock Slough-Veale Trace Water Quality improvement project and with USGS for the Low Intensity Chemical Dosing study project.	\$2,022	Prop 13	0.0	
<b>Levees</b>				
- Supports staff to implement the Delta Levees Special Projects Program, Delta Levee Maintenance Subvention Program, Emergency Response, Risk Management, and Subsidence Research.	\$1,960	Prop 50	13.0	X
- Supports staff to implement the Delta Levees Special Projects Program, Delta Levee Maintenance Subvention Program, Emergency Response, Risk Management, and Subsidence Research.	\$373	State Water Project Funds	2.0	X
- Supports local assistance for the Delta Levee Maintenance Subventions Program.	\$16,817	Prop 50	0.0	X
<b>Storage Program</b>				
- Supports funding for grants for the Local Groundwater Assistance grant program.	\$6,400	Prop 50	0.0	
<b>Water Supply Reliability</b>				
- Supports technical support in regional planning and acts as project managers on 22 MOU partnerships throughout the state.	\$1,868	Prop 50	14.0	Open

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
<b>Conveyance Program</b>				
- Supports North Delta Flood Control and Ecosystem Restoration Project.	\$465	General Fund	3.0	Open
- Supports construction of four permanent operable barriers and removal of four temporary rock barriers in the South Delta. Supports evaluation of fish screen intake alternatives, Delta Cross Channel re-operations, and Through-Delta Facility alternatives.	\$14,413	State Water Project Funds	30.0	X
<b>Science Program</b>				
- Supports monitoring and special studies of the water quality and ecology of the San Francisco estuary. Also supports contracts with DFG, USFWS, USGS, and various universities and laboratories.	\$6,201	State Water Project Funds	14.0	X
<b>BUDGET CHANGE PROPOSALS</b>				
<b>Water Use Efficiency Program</b>				
- Funds Chapter 7 water use efficiency grants.	\$30,136	Prop 50	0.0	
- Supports science and monitoring of existing water use efficiency projects to support awarding future grants.	\$1,802	Prop 50	0.0	X
- Supports contracts that would provide technical assistance to local entities for special water use efficiency projects.	\$2,034	Prop 50	0.0	



Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
<b>Storage Program</b>				
- Supports evaluation of the feasibility of north of delta storage (Sites reservoir).	3,300	Prop 50	37.0	X
- Supports the federal government's efforts to evaluate the possibility of enlarging Shasta Lake.	100	Prop 50	0.0	
- Supports continued evaluation of the feasibility of in-Delta storage.	2,000	Prop 50	0.0	
- Supports a contract with Contra Costa Water District and state staff to evaluate the feasibility of enlarging Los Vaqueros reservoir.	3,200	Prop 50	0.0	Open
- Supports evaluation of additional upper San Joaquin River Storage.	1,000	Prop 50	0.0	X
- Supports evaluation of common assumptions to help in the evaluation of each of the storage proposals and to make comparisons among them.	1,000	Prop 50	0.0	X
<b>Water Supply Reliability</b>				
- Supports contracts for projects that increase water supply reliability through the planned, coordinated management and use of groundwater and surface water resources.	7,000	Prop 50	0.0	Open

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
<b>Conveyance Program</b>				
- Supports the South Delta Hydrodynamic Investigation to continue the second phase of the investigations and to improve understanding of the hydrodynamics of the central and south Delta regions.	1,000	Prop 13	1.3	X
- Supports the evaluation of fish facility improvement alternatives (fish screens) related to the South Delta Fish Facility Improvements program.	800	Prop 13	4.6	
- Supports fish collection, handling, transportation, and release study as part of the Tracy Fish Test Facility Project.	712	Prop 13	3.7	
- Supports design and construction costs for the South Delta Improvements Program permanent operable barriers.	26,600	Prop 13	0.0	
<b>Watershed Program</b>				
- Supports staff and contracts to provide technical assistance and coordination of the state's Watershed program.	857	Prop 50	5.0	
<b>APRIL FINANCE LETTER</b>				
<b>Conveyance Program</b>				
- Supports the development of the Frank's tract project.	2,700	Prop 50	3.0	
- Supports the development of the Frank's tract project.	309	State Water Project Funds	0.0	X

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
<b>Watershed Program</b>				
- Reappropriation of \$830,000 in Proposition 50 bond funds that were not expended in the current year due to position vacancies to continue technical assistance related to the Watershed grant program.				X
- Reverts \$3 million Proposition 50 bond funds that have been shifted to the Department of Conservation and were inadvertently left in the Governor's proposed budget.				X
<b>Ecosystem Restoration Program</b>				
- Reappropriation of \$500,000 in Proposition 50 bond funds that were not expended due to position vacancies to continue work on the Calaveras River instream structure and fish passage study.				X
<b>Storage Program</b>				
- Technical correction to eliminate one-time funding inadvertently left in the Governor's proposed budget.	-\$18,996	Prop 50	0.0	X
<b>Total Governor's Budget</b>	<b>\$166,009</b>		<b>175.7</b>	
<b>Total Senate Budget</b>	<b>\$72,692 *</b>		<b>152.4</b>	

\*Pending resolution of open items.

**3870 California Bay-Delta Authority**

**Staff Recommendation.** The chart below outlines the Governor's proposal to support the CALFED program at the Bay-Delta Authority. Staff recommends that the Subcommittee take action to approve the checked items in the "Approve" column.

Several items are recommended to be left open because additional information is needed regarding the proposed expenditures. Specifically, staff needs additional information on why the Ecosystem Restoration Program expenditures should continue to be implemented by the Authority and not by the Department of Fish and Game (the implementing agency for the Ecosystem Restoration Program element). Staff recommends that the Subcommittee direct the authority to work with staff to provide additional information on the issues marked "Open."

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
<b>BASE BUDGET</b>				
<b>Oversight and Coordination</b>				
- Supports Bay-Delta Advisory Committee, environmental justice, tribal relations, public outreach, delta improvements package, regional coordination, performance measure development, long-term finance plan development, and other administrative functions.	\$6,600	General Fund	42.0	X
<b>Ecosystem Restoration Program</b>				
- Supports monitoring of ecosystem restoration projects.	\$166	General Fund	2.0	Open
- Supports contracts for work on various 415 ecosystem restoration projects.	\$5,200	Prop 50	0.0	Open
- Supports staff to monitor and manage the work being done on the ecosystem restoration program contracts.	\$523	Prop 50	5.0	Open
<b>Conveyance Program</b>				
<b>Drinking Water Quality Program</b>				
<b>Environmental Water Account</b>				
<b>Levee Program</b>				
<b>Storage Program</b>				
<b>Watershed Program</b>				
<b>Water Use Efficiency Program</b>				
- Supports staff and contracts to monitor projects in all of the programs listed above.	\$1,200	General Fund	6.0	X
- Supports recipient agreements to implement and monitor the Proposal and Solicitation Process for various projects in the programs listed above.	\$3,900	Prop 50	1.0	Open

<b>Activity (\$ in thousands)</b>	<b>Amount</b>	<b>Fund Source</b>	<b>Positions</b>	<b>Approve</b>
<b>Science Program</b>				
- Supports contracts and positions to support the independent science board and technical panels.	\$13,000	Prop 50	3.0	Open
- Supports contracts to support the independent science board and technical panels.	\$3,000	General Fund	0.0	Open
<b>BUDGET CHANGE PROPOSALS</b>				
<b>Ecosystem Restoration Program</b>				
- Supports various ecosystem restoration projects. These funds were appropriated in 2002-03, but because of delays and cancellations these funds were not expended.	\$5,074	Prop 204	0.0	
<b>Conveyance Program</b>				
- Supports scientific monitoring of the Delta Cross Channel, Through-Delta Facility, Frank's Tract, South Delta Hydrodynamic and Tracy Test Facility investigations.	250	Prop 50	0.0	X
<b>APRIL FINANCE LETTER</b>				
<b>Ecosystem Restoration Program</b>				
- Reappropriation of \$54.7 million in Proposition 50 bond funds to support contracts and grants for ecosystem restoration projects, including the Battlecreek Watershed.				X
<b>Total Governor's Budget</b>	<b>\$38,913</b>		<b>59.0</b>	
<b>Total Senate Budget</b>	<b>\$33,839 *</b>		<b>59.0</b>	

\*Pending resolution of open items.

## 3940 State Water Resources Control Board

**Staff Recommendation.** The chart below outlines the Governor's proposal to support the CALFED program at the State Water Resources Control Board. Staff recommends that the Subcommittee take action to approve the checked items in the "Approve" column.

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
<b>BASE BUDGET</b>				
<b>Watershed Program</b>				
- Supports management of grants awarded by the board in past grant cycles.	\$299	Prop 50	3.0	X
- Supports monitoring of project progress on grants awarded by the board in past grant cycles.	\$82	Prop 13	0.8	X
<b>Water Use Efficiency Program</b>				
- Supports management of water recycling grants awarded by the board in past grant cycles.	\$888	Prop 50	9.1	X
- Supports management of water recycling grants awarded by the board in past grant cycles and the review and awarding of new grants. Also includes technical outreach and assistance to disadvantaged communities.	\$421	Prop 13	4.2	X
- Funds for water recycling grants.	\$6,413	Prop 13	0.0	
<b>Drinking Water Quality Program</b>				
- Supports management of grants awarded by the board in past grant cycles.	\$130	Prop 50	1.3	X
- Supports management of grants awarded by the board in past grant cycles.	\$82	Prop 13	0.8	X
<b>Total Governor's Budget</b>	<b>\$8,315</b>		<b>19.2</b>	
<b>Total Senate Budget</b>	<b>\$1,902</b>		<b>19.2</b>	

## SUBCOMMITTEE NO. 2

## Agenda

Sheila Kuehl, Chair  
Bob Dutton  
Alan Lowenthal



Tuesday, May 17, 2005  
9:00 a.m.  
Room 112

### Agenda (Part 1 of 2) – Vote Only Agenda

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### Resources—Environmental Protection—Energy

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.



## 3340 California Conservation Corps

### 1. Capital Outlay

**Capital Outlay Finance Letter.** The Governor has proposed a capital outlay Finance letter requesting the following amendments to the capital outlay budget for the Corps:

- **Delta Service District Residential Center.** The letter proposes to augment the budget by \$21.7 million from lease revenue bonds for acquisition, preliminary plans, working drawings and construction of a new Delta Service District Residential Center. Funds for this project were originally appropriated in 2002 and, due to delays, have not been expended. The budget proposes to revert \$13.8 million to continue the project. Approximately \$8 million in new lease revenue bonds are requested to cover additional costs needed to complete this project due to significant increases in the cost of construction materials, labor and transportation.
- **Camarillo Residential Satellite.** The letter proposes to augment the budget by \$15.4 million from lease revenue bonds for working drawings and construction of the Camarillo Residential Satellite. Funds for this project were originally appropriated in 2000 from the General Fund and were subsequently reverted due to the state's fiscal condition. Lease revenue bonds were appropriated in 2002 and, due to delays, have not been expended. The budget proposes to revert \$10.3 million to continue the project. Approximately \$5 million in new lease revenue bonds are requested to cover additional costs needed to complete this project due to significant increases in the cost of construction materials, labor and transportation. The Finance letter also proposes to eliminate the reappropriation item included in the January budget to accommodate the reversion proposed in the Finance letter.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the administration's capital outlay proposal.

## 3540 Department of Forestry and Fire Protection

### 1. Fuels Management Activities

**Governor's Budget.** The budget proposal includes funding for the following fuels management activities:

- **Fuels Management in Southern California.** The budget proposal includes \$14.4 million in federal funds for a three year program to treat forest fuels in Southern California. Of this funding, \$6.9 million was allocated in the current year (through a Section 28.00 letter), \$3.8 million is proposed to be expended in the budget year, and \$3.7 million is proposed to be expended in 2006-07. Approximately \$1.9 million annually is proposed to fund 20 limited-term positions to support the fuels management programs over the three year period. Matching funds required by the federal government are being provided by in-kind contributions of tree removal by Southern California Edison.

- **Improved Utilization of Biomass.** The budget includes \$1.4 million in federal funds for a three year program to improve utilization of biomass waste created by forest fuels management activities. Of this funding, \$840,000 is proposed to be expended in the budget year and \$270,000 is proposed to be expended in both 2006-07 and 2007-08. These funds are proposed to fund contracts to improve biomass utilization in the state, including studies to assess fuel loads and the economic potential of the biomass waste stream. A cooperative co-generation project is also being proposed, along with a media campaign, to encourage utilization of biomass. This effort will be coordinated with various other state agencies involved in this activity, including the Integrated Waste Management Board and the California Energy Commission.

**Previous Subcommittee Direction.** At the April 18 meeting of the Subcommittee, the Southern California fuels management proposal was held open pending additional information from the department on how funds will be spent to support this proposal, including information to justify the proposed staffing level.

**Department Response.** The department has provided additional information on how it plans to allocate the funding. Specifically, it plans on allocating the federal funding to the following programs:

- **Cooperative Fire Program.** Approximately \$650,000 is proposed for this program for the budget year and 2006-07. The program is the primary funding source for the actual removal of dead trees along evacuation routes, safety areas and communication sites. (\$1.3 million was provided for this program in the current year.)
- **Cooperative Forest Health Protection and Forest Health Enhancement.** Approximately \$1.7 million is proposed for the budget year and \$1.6 million for 2006-07 for this program, which may be used to support prevention and ecosystem restoration activities. These funds are being used for resource assessments, environmental compliance, thinning and brush removal, and technical support for landowners and local jurisdictions. (\$3 million was provided for this program in the current year.)
- **Volunteer Fire Assistance.** No funds are being provided to modernize and update equipment in the budget year or in 2006-07. (\$1 million was provided as a one-time pass through in the current year.)
- **Forest Stewardship.** Approximately \$1.5 million is proposed for the budget year and 2006-07 for this program, which is used to fund reforestation and nursery production. (\$1.5 million was also provided for this program in the current year.)

**Staff Recommendation.** Staff recommends that the Subcommittee approve this proposal as budgeted.

## 2. Technical Adjustments

**May Revision.** The administration proposes the following technical adjustments to the budget:

- Adjust lease revenue expenditures to reflect a \$915,000 reduction in reimbursements, and other cost adjustments resulting in an increase in General Fund of \$1.1 million.
- Adjust lease revenue payments for the budget year due to an increase in insurance resulting in an increase in General Fund of \$4,000.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the technical adjustments.

### 3. Disabled Veteran Contractors

**Background.** Existing law provides that state agencies have a goal of assigning 3% of contracted services to certified disabled veteran businesses. Staff is concerned that CDF is not meeting this state goal.

**Previous Subcommittee Direction.** At the April 18 meeting of the Subcommittee, staff was directed to gather additional information, consult with CDF and disabled contractors, and develop recommendations on how to improve the department's ability to meet goals related to contracted services by certified disabled veteran businesses.

**Department Response.** In subsequent meetings with the department, staff found that, in some cases, districts had been inconsistent in their contracting practices related to disabled veteran owned companies. The department indicated that it would do more to standardize the contracting practices by all of its districts so that disabled veteran-owned businesses were awarded contracts consistent with state law.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt the following supplemental report language requiring the department to report back on its efforts to contract with certified disabled veteran businesses:

1. On or before January 10, 2006, CDF shall report to the Legislature on its efforts to contract with certified disabled veteran business enterprises during the 2005 fire season. The report shall include the amount paid to these enterprises in the 2005 fire season compared to 2004. The report shall also inform the Legislature of the department's efforts to train its employees, including dispatchers, in order to minimize the frequency and duration of lost opportunities for certified disabled veteran business enterprises to be awarded contracts and to employ their workers during the fire season. The Legislature will provide an opportunity for certified disabled veteran business enterprises to review and comment on the CDF report.

### 4. Capital Outlay

**Governor's Budget.** The budget proposes to expend \$47 million for capital outlay projects to improve CDF facilities in 2005-06. Approximately \$42 million is proposed to be funded by lease revenue bonds and the remaining \$5 million is supported by the General Fund.

**Previous Subcommittee Direction.** At the April 18 meeting of the Subcommittee, \$294,000 of General Fund monies for the Bear Valley project was left open pending receipt of the scope and costs for the project.

**Capital Outlay Finance Letter.** The Finance Letter proposes significant expenditure increases in various of the department's capital outlay projects. The Letter proposes to increase General Fund expenditures by a net of \$1.2 million and lease revenue bond expenditures by \$96 million. The majority of the cost escalations are due to material and labor cost increases, as well as increases in the cost of CDF's prototypical facilities. (The costs of CDF's prototypical facilities are based on actual bids for similar projects recently received throughout the state.) The Finance letter proposes reversions and new appropriations. The administration indicates that the funds are being reverted to simplify and facilitate the sale of lease revenue bonds for these projects:

- **Bear Valley Helitack Base (HB).** The letter proposes to eliminate \$294,000 General Fund for preliminary plans to replace the water system at this base. A defined scope and cost for this project has not been completed, but is expected to be included in the 2006-07 budget.
- **Utility Upgrades for Owens Valley Conservation Camp (CC).** The letter proposes an additional \$1.5 million General Fund to cover the construction costs for this project. This is in addition to the \$1.9 million provided in 2004. The additional costs for this project are based on the actual bid that came in higher than projected.
- **Replace Alma HB.** The letter proposes to revert \$5.2 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$6.5 million in lease revenue bonds for preliminary plans, working drawings and construction of the project. Increased costs are partly due to needed design changes to add retaining walls, a mounded septic tank system, and a two-story barracks building.
- **Replace Altaville Forest Fire Station (FFS).** The letter proposes to revert \$2.8 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$3.8 million in lease revenue bonds for working drawings and construction of this project. Increased costs are partly due to groundwater contamination issues.
- **Replace Antelope FFS.** The letter proposes to increase lease revenue bonds by \$236,000 to complete construction of this project. This project is currently under construction and these funds would complete the project.
- **Remodel Bautista CC.** The letter proposes to revert \$3.9 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$4.8 million for preliminary plans, working drawings and construction of this project. Increased costs are partly due to specific issues related to design changes for on-site water storage facilities.
- **Replace Dew Drop FFS.** The letter proposes to revert \$2.1 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$2.5 million for acquisition and construction for this project. Increased costs are due to market conditions and general cost increases.
- **Replace Elk Camp FFS.** The letter proposes to revert \$2.1 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$2.8 million for working drawings and construction for this project. Increased costs are partly due to Caltrans requirements to widen the existing road and required CEQA work associated with this project.
- **Relocate Harts Mill FFS.** The letter proposes to revert \$2 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$2.4

million for construction of this project. Increased costs are partly due to additional survey and grading work needed on the project site.

- **Relocate Hemet Ryan Air Attack Base (AAB).** The letter proposes to revert \$6.3 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$8.3 million for acquisition and construction for this project. Increased costs are partly due to design changes that require relocating the utilities underground.
- **Relocate Independence FFS.** The letter proposes to revert \$1.8 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$2.8 million for working drawings and construction of this project. Increased costs are due to market conditions and general cost increases.
- **Replace Automotive Shop at Mendocino Ranger Unit Headquarters (RUH).** The letter proposes to revert \$1.8 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$3.3 million for working drawings and construction of this project. Increased costs are partially due to market conditions and general cost increases.
- **Replace Nipomo FFS.** The letter proposes to revert \$2.4 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$2.9 million in lease revenue bonds for acquisition and construction for this project. Increased costs are due to market conditions and general cost increases.
- **Replace Pacheco FFS.** The letter proposes to revert \$2 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$2.5 million in lease revenue bonds for acquisition and construction of this project. Increased costs are due to market conditions and general cost increases.
- **Replace Rancheria FFS.** The letter proposes to revert \$2.3 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$3.3 million in lease revenue bonds for working drawings and construction of this project. Increased costs are due to market conditions and general cost increases.
- **Relocate Raymond FFS.** The letter proposes to revert \$2.7 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$3.4 million for preliminary plans, working drawings and construction of this project. Increased costs are partially due to additional site work needed based on geotechnical reports.
- **Replace San Luis Obispo RUH.** The letter proposes to revert \$8.3 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$10.3 million for construction of this project. Increased costs are due to scope changes required when the U.S. Forest Service pulled out of this project. Delays have occurred on this project since construction cannot commence until land is transferred from CSU to CDF.
- **Relocate San Marcos FFS.** The letter proposes to revert \$2.1 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$2.9 million in lease revenue bonds for preliminary plans, working drawings, and construction of this project. Increased costs are due to market conditions and general cost increases.
- **Replace Auto Shop at Santa Clara RUH.** The letter proposes to revert \$1.6 million in lease revenue bonds that have not been expended for this project. The letter proposes to

appropriate \$1.7 million for preliminary plans, working drawings and construction of this project. Approximately \$1 million is also provided for this project in the Governor's January budget. Increased costs are due to market conditions and general cost increases.

- **Relocate Springfield FFS.** The letter proposes to revert \$2.7 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$3.7 million in lease revenue bonds for preliminary plans, working drawings and construction of this project. Increased costs are due to market conditions and general cost increases.
- **Replace Stevens Creek FFS.** The letter proposes to revert \$2.4 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$2.9 million for acquisition, working drawings and construction of this project. Increased costs are partly due to needed septic system changes.
- **Relocate Sweetwater FFS.** The letter proposes to revert \$2.5 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$2.7 million for preliminary plans, working drawings and construction of this project. Approximately \$393,000 is provided for this project in the Governor's January budget. Increased costs are due to market conditions and general cost increases.
- **Replace Twain Harte FFS.** The letter proposes to revert \$3.5 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$3.8 million in lease revenue bonds for preliminary plans, working drawings and construction of the project. Increased costs are due to market conditions and general cost increases.
- **Replace Usona FFS.** The letter proposes to revert \$1.8 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$2.3 million in lease revenue bonds for working drawings and construction of this project. Increased costs are partly due to unanticipated soil conditions that required the relocation of the septic leach field to accommodate a new well.
- **Replace Vallecito CC.** The letter proposes to revert \$2.6 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$3.5 million in lease revenue bonds for working drawings and construction of this project. Increased costs are due to market conditions and general cost increases.
- **Construct Shop at Ventura Youth CC.** The letter proposes to revert \$1.4 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$2.7 million in lease revenue bonds for working drawings and construction of this project. Construction has been delayed due to pending transfer of land between CYA and CDF. Increased costs are due to market conditions and general cost increases.
- **Replace Warner Springs FFS.** The letter proposes to revert \$2.4 million in lease revenue bonds that have not been expended for this project. The letter proposes to appropriate \$3.6 million for acquisition, preliminary plans, working drawings and construction of this project. Increased costs are due to market conditions and general cost increases.
- **Construction of FFS Statewide.** The letter proposes to appropriate \$6.3 million in lease revenue bonds to augment funds for preliminary plans, working drawings and construction of various FFS around the state. Fire stations proposed for replacement include stations in Boonville, Bridgeville, Cloverdale, Colfax, Nevada City and Weott. Approximately \$30.4 million in lease revenue bonds was provided for these projects in

the Governor's January budget. Increases are due to market conditions and reflect actual bids received for construction of these projects.

Reversions are also proposed for the following projects:

- **Construct Vehicle Apparatus Building and Replace Shop at Fenner Canyon CC.**
- **Relocate South Operations Area Headquarters.**
- **Relocate Batterson FFS.**
- **Remodel Baseline CC.**

**Staff Recommendation.** Staff recommends that the Subcommittee approve the amendments proposed in the Capital Outlay Finance Letter.

## 3560 State Lands Commission

### 1. Environmental Review of Liquefied Natural Gas and Marine Oil Terminal Applications

**Governor's Budget.** The administration is proposing \$114,000 from reimbursements to extend one limited-term environmental scientist to support the increased workload of the SLC's environmental review activities related to LNG and MOT applications. The SLC has three positions (including the requested limited-term position) providing environmental review of applications received by SLC. The SLC's environmental review activities are reimbursed by the companies developing proposals for LNG facilities and new MOTs.

**Previous Subcommittee Direction.** At the March 14 meeting of the Subcommittee the Resources Secretary was directed to provide workload information on the current and projected work required by the state agencies under the Resources Agency in reviewing LNG applications, including information on current staffing levels.

**Agency Response.** The Resources Secretary has not provided additional information on staffing needs at the commission to adequately review LNG facility applications. The Commission indicates that its work is being 100 percent reimbursed by the companies seeking to site LNG facilities off the coast of California. The Commission projects that it will be fully staffed if this budget proposal is approved.

**Staff Recommendation.** Staff recommends that the Subcommittee approve this proposal as budgeted.

### 2. Ballast Water Management Program

**Governor's Budget.** The budget proposes expenditure of \$1.9 million from the Marine Invasive Species Control Fund for implementation of the Ballast Water Management Program at the SLC. Approximately \$400,000 of the \$1.9 million is provided to the Board of Equalization for

administrative costs associated with collecting the fee. This leaves approximately \$1.5 million at the commission to manage this program.

**Previous Subcommittee Direction.** At its March 14 meeting, the Subcommittee withheld action on the Ballast Water Management Program pending receipt of an overdue report that provides a summary of baseline information regarding the ballast water discharged into the state's waters. Staff was directed to review the report and ensure that the commission's activities were consistent with legislative direction and to evaluate whether the commission's proposal to reduce the fee charged vessels entering state waters was warranted.

**Staff Comments.** The Commission's report on the California Marine Invasive Species Program was received on April 21. Staff reviewed the report and found that the commission's activities have been consistent with statutory direction. Staff understands that the current research schedule is being fully funded in the budget year. Therefore, the commission appears to be justified in revising its fee schedule downward given the better than expected compliance in paying the fee.

**Staff Recommendation.** Staff recommends that the Subcommittee approve this proposal as budgeted.

## 3680 Department of Boating and Waterways

### 1. Capital Outlay

**Capital Outlay Finance Letter.** The Governor has proposed a capital outlay Finance letter requesting the following amendment to the capital outlay budget for the Department of Boating and Waterways:

- **Channel Islands Boating Instruction and Safety Center.** The letter proposes to augment the budget by \$166,000 from the Harbors and Watercraft Revolving Fund for working drawings for the Channel Islands Boating Instruction and Safety Center. Modifications are needed to the original plans due to input from the California Coastal Commission.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the administration's capital outlay proposal.

### 2. Harbors and Watercraft Revolving Fund Balance

**Large Fund Balance.** The department's Harbors and Watercraft Revolving Fund is projected to have a \$20.9 million balance remaining at the end of the budget year. These funds could be used to provide additional loans in the budget year.

The Subcommittee may want to consider allocating the excess fund balance to allow for additional loans to be made in the budget year. Staff has been notified that loans could be



accelerated for the following projects that are waiting for additional funding from the Revolving Fund:

- \$11.3 million for the San Francisco Marina project.
- \$6 million for the Long Beach Marina Alamitos Bay Basin 1 project.
- \$300,000 for the Long Beach Basins 2 and 3 projects.
- \$1 million for the Dana Point Marina.

Allocation of the funds listed above would result in a \$2.3 million balance in the Harbors and Watercraft Revolving Fund at the end of 2005-06.

**Staff Recommendation.** Staff recommends that the Subcommittee allocate the reserves in the Revolving Fund to the projects listed above.

## 3790 Department of Parks and Recreation

### 1. Capital Outlay

**Capital Outlay Finance Letter.** The Governor has proposed a capital outlay Finance letter requesting amendments to the capital outlay budget for the Department of Parks and Recreation.

The letter proposes the following amendments funded by Proposition 12 bond funds:

- **Restore Sepulveda Adobe at Malibu Creek SP.** The letter proposes \$384,000 to augment \$1 million in construction costs allocated in 2004 for this project. These additional costs are related to construction of a bridge over the creek in order to minimize the environmental impacts of the development. The Finance letter also proposes to reappropriate \$154,000 for working drawings and \$1 million in construction costs allocated in 2004.
- **Development of Visitor Center at Chino Hills SP.** The letter proposes \$726,000 to augment \$1.7 million in construction costs allocated in 2004 for this project. The majority of the additional costs are associated with design changes needed to comply with an increased flood level line.
- **Improvements to Campground and Day Use Facilities at Silverwood Lake SRA.** The letter proposes \$526,000 to augment the \$2.4 million in construction costs allocated in 2002 for this project. The additional costs are driven by the increased costs of steel and concrete.
- **Rebuild South Cardiff Facilities at Cardiff SB.** The letter proposes \$500,000 to augment the \$2 million in construction costs allocated in 2002 for this project. The additional costs are driven by the increased costs of construction materials and overall inflation in construction contract costs. This project has been bid twice and both times the bid came in higher than allocated funds. The Finance letter also proposes to reappropriate the \$2 million in construction costs originally allocated in 2002.
- **Minor Capital Outlay.** The letter proposes \$500,000 to improve the HVAC system, plumbing and moisture protection systems at the park visitor center at Bolsa Chica SB. These improvements will minimize operations and maintenance expenses of the facilities.

- **Renovate Rancho San Andreas Castro Adobe.** The letter proposes \$132,000 to augment approximately \$500,000 in construction costs allocated in 2002 for this project. The majority of the additional costs are associated with unanticipated damage to the original historic structure. The Finance letter also proposes to reappropriate approximately \$400,000 in construction costs allocated in 2002.
- **Trail Development at Kenneth Hahn SRA.** The letter proposes to reappropriate \$500,000 for trail development on a recent acquisition. The department is working with the Baldwin Hills Conservancy to complete trail work in the budget year. These funds were originally appropriated in 2001.
- **Stabilization of Powerhouse at Folsom Powerhouse SHP.** The letter proposes to reappropriate \$388,000 to continue project construction. The administration indicates that unforeseen problems were discovered during stabilization and additional funds are being requested to complete the project. These funds were originally appropriated in 2002.
- **Sediment Basins and Road Realignment at Border Field SP.** The letter proposes to reappropriate \$2.9 million to continue construction of sediment retention basins, restoration of riparian habitat and realignment of the park entrance road. Approximately \$2.5 million is from reimbursements and \$400,000 is from Proposition 12 bond funds. These funds were originally appropriated in 2002.
- **Construct Visitor Center for Folsom Powerhouse SHP.** The letter proposes to reappropriate \$1.7 million for working drawings, construction and equipment for this project. The project is anticipated to proceed to bid in May 2005. The administration indicates that this reappropriation would not be needed if this occurs. All of these funds are provided through reimbursements. These funds were originally appropriated in 2002.
- **Construct Visitor Center at Chino Hills SP.** The letter proposes to reappropriate \$1.7 million for construction and equipment for this project. The administration indicates that inflation and market conditions have increased costs of the project and additional funds are being requested to complete the project. These funds were originally appropriated in 2004.
- **El Morro Mobilehome Park Conversion at Crystal Cove SP.** The letter proposes to reappropriate \$9.8 million for construction of this project. Current litigation has delayed the ability of the department to take this project to bid. These funds were originally appropriated in 2004.

The letter proposes the following amendments funded by Off-Highway Vehicle Trust funds:

- **Improve Prairie City SVRA.** The letter proposes to reappropriate \$6.4 million for working drawings and construction of this project. Fog has caused delays in required aerial surveys. The administration indicates that the project is anticipated to proceed to bid in the current year, but that the reappropriation is requested in case of unforeseen circumstances.
- **Unallocated Capital Outlay.** The letter proposes to reappropriate \$1.6 million added by the Legislature in 2004 for an unallocated acquisition. The administration has indicated a partnership opportunity has emerged to acquire property in the Gabilan Range to buffer the existing Hollister Hills SVRA. The administration indicates that it is currently defining the project to be funded with these funds.

The letter proposes the following amendments funded by Proposition 40 bond funds:

- **Restore Historic Cottages at Crystal Cove SP.** The letter proposes \$567,000 to augment \$9.3 million in construction costs allocated in 2002 for this project. The additional costs are needed due to unforeseen damage to the cottages, including dry rot and pest damage. The Finance letter also proposes to reappropriate \$991,000 that was appropriated in 2004. The administration indicates that another \$1.5 million augmentation is being requested at the Public Works Board to cover additional cost overruns related to increased material costs and market conditions on construction contracts.
- **New Lifeguard Headquarters at Doheny SB.** The letter proposes \$263,000 to augment \$1.1 million in construction costs allocated in 2004 for this project. The additional costs are requested to address a foundation design modification needed and general cost increases related to market conditions for materials and construction contracts. The letter also proposes to reappropriate the \$1.1 million allocated for construction of this project.
- **New Lifeguard Headquarters at Lake Perris SRA.** The letter proposes \$572,000 to augment \$824,000 in construction and equipment costs allocated in 2004 for this project. The additional costs are requested due to general cost increases related to market conditions for materials and construction contracts. The letter also proposes to reappropriate the \$824,000 allocated for construction and equipment for this project.
- **Reconstruct Fur Warehouse at Fort Ross SHP.** The letter proposes \$2.3 million for construction of this project. This funding for this project is proposed to be shifted from Proposition 12 bond funds to Proposition 40 bond funds due to a reduced level of available Proposition 12 bond funds. Costs associated with this project are expected to increase by \$596,000 due to its remote location and the decision to utilize historic Russian construction methods that are more labor intensive.
- **Restore Historic Landscape at Will Rogers SP.** The letter proposes to reappropriate \$543,000 for construction of this project. The administration indicates that it is close to going out to bid this project, but proposes to reappropriate the funds in case of unforeseeable circumstances that delay the bidding process.
- **Planning Study for Topanga SP.** The letter proposes to reappropriate \$552,000 for immediate public use and studies to support general planning of the long-term development of this park. The letter also proposes to reappropriate \$526,738 for various public use improvements to the park at the historic Trippet Ranch, Hub Junction, and Los Liones areas of the park. The department has indicated that it is awaiting action by the California Coastal Commission related to coastal permit approvals.
- **Planning Study for Taylor Yard - Los Angeles River Parkway.** The letter proposes to reappropriate \$958,000 for immediate public use and to support general planning for this parkway. Delays have occurred due to a new joint planning process that matches the city schedule and due to delays in obtaining necessary environmental documents. The department indicates that additional funding will be needed to complete this project.
- **Planning Study for Cornfields Project.** The letter proposes to reappropriate \$272,000 for immediate public uses and studies to support general planning of the long-term development of this park. This project has been delayed due to the installation of a temporary art project by the Annenberg Foundation. The foundation will plant heritage corn as part of a temporary agricultural landscape that will conclude in early November. The foundation has agreed to pay for costs associated with the delay of the state's immediate public use plans.

- **Acquisitions.** The letter proposes to reappropriate \$13 million that will be used to acquire desirable state park properties statewide.
- **California Indian Museum.** The letter proposes to reappropriate \$4.6 million for working drawings and construction of this project. This plan has been delayed because of the need to identify a new site for the museum and delays in finalizing architectural designs.
- **Rehabilitation of Railroad Technology Museum.** The letter proposes to reappropriate \$11.6 million for working drawings and construction of this project. Reimbursements are proposed to offset \$5 million of the funds proposed for expenditure in the budget year. This project has been delayed due to general lack of agreement on how to proceed.
- **Wastewater Upgrades at Big Basin Redwoods SP.** The letter proposes to reappropriate \$1.1 million for construction and equipment for this project. This project was delayed due to problems with the initial bid process.
- **Sewer Upgrades at Morro Bay SP.** The letter proposes to reappropriate \$968,000 for construction of this project. This project was delayed due to permitting issues.
- **Rehabilitation of Public Use Facilities at Malibu Creek SP.** The letter proposes to reappropriate \$402,926 for preliminary plans for this project. Plans to rehabilitate facilities at the Tapia area of the park have been delayed due to land transfer problems.
- **Stabilization at Shasta SHP.** The letter proposes to reappropriate \$361,000 for preliminary plans for twelve gold rush era structures at this park. The administration indicates that the plans will be approved in November of 2005.
- **Water System Improvements at Fort Ross SHP.** The letter proposes to reappropriate \$1.1 million for this project. The administration has indicated that additional funding is needed to complete this project.
- **New Visitor Center at Donner Memorial SP.** The letter proposes to reappropriate \$5.9 million for working drawings, construction and equipment for this project. Reimbursements are proposed to offset \$3 million of the funds proposed for expenditure in the budget year. Delays have resulted from unforeseen state and federal environmental issues and the short construction window in the Sierra region.
- **New Visitor Center at Calaveras Big Trees SP.** The letter proposes to reappropriate \$3.7 million for working drawings, construction and equipment for this project. Reimbursements are proposed to offset \$500,000 of the funds proposed for expenditure in the budget year. Delays have occurred due to design changes, environmental constraints and the short construction window in the Sierra region.
- **Preservation of Stamp Mill at Plumas-Eureka SP.** The letter proposes to reappropriate \$891,567 for a study and construction of this project. Studies are underway, but construction is not expected for another year due to the short construction window in the Sierra region.
- **Rehabilitate Pudding Creek Trestle at MacKerricher SP.** The letter proposes to reappropriate \$1.9 million for construction of this project. The administration indicates that this project should proceed to bid in April or May of this year and that reappropriation may not be needed.

The letter proposes the following amendments to revert bond funds allocated to capital outlay projects in prior budget years:

- **Reconstruct Fur Warehouse at Fort Ross SHP.** The letter proposes to revert \$1.7 million in Proposition 12 bond funds to obtain a prudent reserve to cover other program costs funded by Proposition 12. Approximately \$2.3 million from Proposition 40 is proposed to fund this project in the budget year.
- **Expand Lifeguard Facility at Huntington SB.** The letter proposes to revert \$3.5 million in Proposition 40 bond funds to obtain a prudent reserve to cover other program costs funded by Proposition 40. The administration is proposing delaying this project due to insufficient funds for existing projects.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the administration's capital outlay proposal.

## 2. Local Park Reappropriation

**Background.** Staff finds that funds provided to a local park facility in the City of Redlands will not be expended before the end of the current fiscal year. These funds need to be reappropriated so that they can fund the project they were originally appropriated for in 2000.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the following budget bill language to reappropriate General Fund monies appropriated in prior budget years for the following local park project:

3791-491 --- Reappropriation, Department of Parks and Recreation. The balance of the appropriation provided in the following citation is reappropriated for the purposes provided in the appropriation, and shall be available for encumbrance or expenditure until June 30, 2008:

0001 – General Fund

Item 3790-101-0001, Budget Act of 2000 (Ch. 52, Stats. 2000)  
80.25 Recreational Grants  
(184) City of Redlands: Local park facility

## 3860 Department of Water Resources

### 1. Reversion—Proposition 13 Funds

**May Revision.** The Governor's budget proposes to revert \$12.9 million in Proposition 13 bond funds. These funds have not been expended because planned projects were not undertaken or were completed at a lower cost than expected. These funds are proposed for reversion so that they can be expended in future budget years on new projects.

<b>Program/Account</b>	<b>Amount</b>	<b>Fund Source</b>	<b>Year Appropriated</b>
Urban Streams Restoration Program	75	Prop 13	2001-02
Urban Streams Restoration Program	1,098	Prop 13	2002-03
Urban Streams Restoration Program	71	Prop 13	2003-04
<b>Total Urban Streams Program</b>	<b>\$1,243</b>		

<b>Program/Account</b>	<b>Amount</b>	<b>Fund Source</b>	<b>Year Appropriated</b>
Flood Protection Corridor Program	\$411	Prop 13	2003-04
Yuba Feather Flood Protection Program	139	Prop 13	2000-01
Yuba Feather Flood Protection Program	2,980	Prop 13	2001-02
Yuba Feather Flood Protection Program	3,186	Prop 13	2002-03
Yuba Feather Flood Protection Program	341	Prop 13	2003-04
Yuba Feather Flood Protection Program	4,543	Prop 13	2003-04
<b>Total Flood Protection</b>	<b>\$11,599</b>		

<b>Program/Account</b>	<b>Amount</b>	<b>Fund Source</b>	<b>Year Appropriated</b>
River Protection Subaccount (state operations)	28	Prop 13	2003-04
<b>Total River Protection Subaccount</b>	<b>\$28</b>		

**Staff Recommendation.** Staff recommends that the Subcommittee approve the reversions proposed in the May Revision.

## 2. Extension of Liquidation Period—Proposition 13 Funds

**May Revision.** The May Revision requests to extend the liquidation period for various Proposition 13 bond funded projects that will not be completed before the end of the fiscal year. These projects have been delayed for a variety of reasons, such as complications in the feasibility study and design phases of the projects.

- **Flood Protection Corridor Program.** The May Revision proposes to extend the liquidation period for \$6.6 million from 2000-01 and \$14.7 million from 2002-03 for various contracts to implement floodwater conveyance improvements and to provide transitory storage for peak floodwater flows in floodplains.
- **Yuba Feather Flood Protection Program.** The May Revision proposes to extend the liquidation period for \$267,401 from 2000-01 and \$438,330 from 2002-03 for contracts to complete planning and feasibility work on Yuba Feather flood protection projects.
- **Urban Streams Restoration Program.** The May Revision proposes to extend the liquidation period for \$5.7 million from 2002-03 for restoration work that has been delayed due to delays in permitting, needed coordination among multiple agencies, and

the unforeseen issues related to prevailing wage and the use of volunteers for restoration work.

**Staff Recommendation.** Staff recommends that the Subcommittee approve these proposed extensions of the liquidation period.

### 3. Reappropriation—Proposition 13 Funds

**May Revision.** The May Revision proposes to reappropriate Proposition 13 bond funds that will not be encumbered prior to the end of the fiscal year. These projects have experienced unexpected delays. The projects proposed for reappropriation include the following:

- **Yuba Feather Flood Protection Program.** \$468,000 for grants to implement flood protection projects in the Yuba-Feather Rivers area.
- **Infrastructure Rehabilitation Program.** \$1 million for the Madera County Oakhurst project funded from the Water Conservation Account. These funds have been delayed because Madera County needed to identify an appropriate project and complete a feasibility study before it could access this funding.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the reappropriations proposed in the May Revision.

## 3900 Air Resources Board

### 1. Carl Moyer Air Quality Program

**Governor's Budget.** The Governor's budget proposes approximately \$25 million funded by the increase in the tire fee (deposited in the Air Pollution Control Fund) to implement AB 923. This includes \$23 million for grants, approximately \$1 million to support 12 new positions, and \$500,000 in contract funds. The additional contract funds are proposed to support public outreach to environmental justice communities and technical assistance. The 12 new positions are requested to develop new programs for agricultural sources, fleet modernization, and to develop criteria for the inclusion of reactive organic gasses and toxic particulate matter into the expanded Carl Moyer program. In addition, the administration proposes to retain 10 percent of the Carl Moyer grant funds for a statewide initiative related to goods movement.

**Current Year Revenues Not Reflected.** The LAO finds that the budget does not account for the receipt of a projected \$12 million of tire fee revenues that will be collected in the current year to support the Carl Moyer program. The LAO recommends that the administration include a plan for expenditure of the \$12 million in current-year revenues currently unaccounted for in the January budget proposal.

**Previous Subcommittee Direction.** At the April 4 meeting of the Subcommittee the board was directed to report on its plans for expending the \$12 million in tire fee revenues not accounted for in the budget year.

**May Revision.** The May Revision proposes to expend the \$12.5 million in unaccounted for tire fee revenues in the budget year. The LAO identified that these revenues were not accounted for in the Governor's January budget. The department plans to expend these revenues consistent with the Carl Moyer grant program. With these revenues, total Carl Moyer funding in the budget year is approximately \$37.5 million.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the Governor's May Revision proposal.

## 3940 State Water Resources Control Board

### 1. Underground Storage Tank Cleanup Fund Program

**Background.** Chapter 774, Statutes of 2004 (AB 1906, Lowenthal) increases the petroleum tank fee (was \$0.12 per gallon in 2004) that supports the underground storage tank program by \$0.01 per gallon on January 1, 2005. An additional increase of \$0.01 per gallon is slated to go into effect on January 1, 2006. These increases will raise an additional \$8 million in the current year, \$24 million in 2005-06, and \$33 million in 2006-07. This legislation also requires that \$10 million be shifted to an Orphan Subaccount annually to support the cleanup of abandoned Brownfield sites that have been contaminated by petroleum products where there is no financially responsible party. Transfers to the Orphan Subaccount are scheduled to sunset on January 1, 2008 and the entire underground storage tank program is scheduled to sunset in 2011.

**Previous Subcommittee Direction.** At the April 4 meeting of the Subcommittee, staff, the LAO, and the administration were directed to develop trailer bill language that provides additional criteria for allocating the Orphan Subaccount funds for Brownfield development.

**Staff Comments.** Staff finds that the board is working on regulations related to allocating the Orphan Subaccount. Staff will continue to work on crafting criteria, if needed.

**Staff Recommendation.** The Subcommittee has already approved, as budgeted, funding for the Underground Storage Tank Cleanup Fund Program and staff is not recommending trailer bill language at this time, so no action is needed.

### 2. Enforcement Activities

**Background.** On April 4, the Subcommittee asked the Secretary of Cal-EPA to report on its agency-wide enforcement initiative. The Secretary has reported that they are working to improve their management of information in order to better prioritize enforcement activities based on the greatest risk to the environment and to initiate an agency-wide complaint tracking system.

The Secretary has asked that the board implement the following improvements to its current enforcement program in a memorandum dated March 23, 2005:



- Develop a statewide approach for prioritization of enforcement actions which requires the State Water Board to review regional board enforcement activities on an annual basis.
- Transition to an electronic data filing system that will enable automated compliance checking and the development of a “compliance report card” for dischargers.
- Create a clear division of duties between permitting and enforcement staff.
- Coordinate enforcement strategies regionally in conjunction with other enforcement agencies to ensure that violations are promptly and consistently addressed.
- Standardize permitting requirements and permit monitoring in order to improve enforceability.
- Standardize the imposition and collection of mandatory minimum penalties.
- Develop a uniform program for addressing chronic violators.

**Previous Subcommittee Direction.** At the April 25 meeting of the Subcommittee, the board was directed to provide information on the funding needed to implement the improvements to the enforcement program outlined in the March 23, 2005 memorandum from the Secretary for Cal-EPA.

**Board Response.** The board indicates that it is currently in the process of reassessing how it handles enforcement and what potential improvements are needed. The board indicates that staff redirections are being used to accomplish the current improvements and that the current reassessment would include evaluation of any additional staffing resources needed for the 2006-07 budget.

**Staff Recommendation.** Staff does not recommend any further action at this time.

### 3. Bond-Funded Grant Programs

**Governor’s Budget.** The Governor proposes allocation of \$165.4 million in bond funds from Propositions 13 and 50 resources bonds. The bond funds are allocated to the following programs consistent with allocations specified in the bond acts:

- **Coastal Water Quality.** The budget includes \$66.5 million in Proposition 50 bond funds for grants to finance projects that restore and protect water quality and the environment in coastal waters, estuaries, bays and near-shore water and groundwater. Approximately one-half of these funds are for the Clean Beaches program.
- **Integrated Regional Water Management.** The budget includes \$55 million Proposition 50 bond funds for grants to finance integrated water management projects and feasibility studies in conjunction with the Department of Water Resources. Approximately \$26 million was allocated for the first round of grants in 2003-04.
- **Small Community Wastewater Grants.** The budget includes \$20.7 million Proposition 50 bond funds for grants to assist in the construction of publicly owned wastewater treatment and collection facilities. Approximately \$16 million from Proposition 50 was allocated to this program in 2003-04.
- **Water Recycling.** The budget includes \$6.4 million in Proposition 13 bond funds to cover anticipated commitments for construction grant projects ready to proceed to construction.

- **Non-Point Source Pollution Control Program.** The budget includes \$3.9 million in Proposition 13 bond funds for grants to local agencies and nonprofit organizations for projects that reduce non-point source pollution.
- **Watershed Protection.** The budget includes \$1.9 million in Proposition 13 bond funds for grants to fund projects that assist in implementing watershed plans to reduce flooding, control erosion, improve water quality, and improve habitats.
- **Agriculture Water Quality and Dairy Water Quality Programs.** The budget includes \$615,000 to support 6.5 new positions to implement the Agriculture Water Quality and Dairy Water Quality programs created in the 2004 budget.
- **Coastal Non-Point Source Pollution Control Program.** The budget includes \$385,000 in Proposition 13 bond funds for grants to fund coastal non-point source pollution control projects.

**Governor's April Finance Letter.** The Governor has submitted an April Finance letter requesting the following amendments to the budget to reappropriate and extend the liquidation period for bond funds allocated in prior budget years:

- **Extend Liquidation Period for Various Proposition 13 Programs.** The letter proposes to extend the liquidation period for \$6 million in Proposition 13 bond funds allocated in 2000-01 for Watershed Protection, Non-point Source Pollution Control, and Coastal Non-point Source Pollution Control Programs. The letter also proposes to extend the liquidation period for \$68 million in Proposition 13 bond funds allocated in 2001-02 for the same programs plus Lake Elsinore and San Jacinto Watershed Authority local assistance programs. Approximately \$295 million was allocated to these programs in the Proposition 13 bond. The board cites various unexpected project delays as the reason this extension is needed.
- **Southern California Integrated Watershed Program.** The letter proposes to reappropriate \$150,000 in Proposition 13 bond funds and extend the liquidation period for \$28 million in Proposition 13 bond funds to support the Southern California Integrated Watershed Program. These funds were appropriated in 2000-01 and 2001-02. Approximately \$235 million was allocated to this program in the Proposition 13 bond.
- **Water Recycling Projects.** The letter proposes to extend the liquidation period for approximately \$4 million in Proposition 50 bond funds that were allocated for water recycling projects in 2002-03. Approximately \$10 million in Proposition 50 bond funds was provided for water recycling in 2002-03.
- **Agriculture Water Quality Program.** The letter proposes to extend the liquidation period for \$9.5 million in grant funds provided in the current year. The board was given only one year to encumber these funds, which is not sufficient, given delays in developing guidelines and processing grant applications.

**Previous Subcommittee Direction.** At the April 25 meeting of the Subcommittee, action was withheld on the board's bond programs and the board was directed to provide the Subcommittee with the following information:

- The board's efforts to communicate its improved processes to the stakeholders participating in its grant processes.
- The board's review process for the implementation of the Ag Water Quality Grant Program and Dairy Water Quality Grant Program.

- The board's plans for awarding the \$66 million for coastal water quality, including any criteria that may be related to reducing discharges into ASBS.

**Board Response.** The board has provided staff with additional information on the issues raised at the last hearing. First, the board has indicated that it plans on taking the following actions to communicate to its stakeholders about the many changes it has made to its grant processes:

- Transmitting information directly to participants in past grant cycles.
- Improving the grant information available on the board's website.
- Providing additional information about the board's granting processes as part of the stakeholder workshops for upcoming grants.
- Establishing a consistent feedback mechanism for each grant cycle to continue to make improvements to the board's grant processes.
- Establishing a Water Board annual funding fair that provides an overview of the year's funding opportunities and improvements made to various processes.

Secondly, the board has provided additional information about its review process for the Ag Water Quality Grant Program and Dairy Water Quality Grant Program. The board indicates that reporting of project effectiveness and monitoring data are a part of all of the grants awarded by the board. Finally, the board indicates that it has dedicated \$2 million from Chapter 8 to address discharges in ASBS'. The board also indicates that a portion of the \$33 million for coastal non-point source pollution will be available for ASBS discharges.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the board's bond proposals, including the April Finance letter as budgeted.

## SUBCOMMITTEE NO. 2

## Agenda

Sheila Kuehl, Chair  
Bob Dutton  
Alan Lowenthal



Tuesday, May 17, 2005  
9:00 a.m.  
Room 112

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### Resources—Environmental Protection—Energy

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

## 0555 Secretary for Environmental Protection

### 1. Enforcement Initiative

**Cal-EPA Enforcement Initiative.** The Cal-EPA Secretary is currently implementing an enforcement initiative to help improve the state's enforcement efforts. The Secretary has reported that they are working to improve their management of information in order to better prioritize their enforcement activities based on the greatest risks to the environment. The Secretary has also indicated that they are working on several other efforts to improve enforcement of the state's environmental laws.

**Previous Subcommittee Direction.** At the April 4 meeting of the Subcommittee, the Secretary was requested to report on how Cal-EPA plans to finance its enforcement initiative and to identify specific staffing and funding needed to effectively implement the enforcement initiative.

**Agency Response.** The Office of the Secretary for Cal-EPA has not provided specific staffing or funding information related to its enforcement initiative. However, the agency indicates that the enforcement initiative is being conducted using existing resources and that the agency is aligning priorities and fostering cross-organization synergies to achieve its objectives.

Furthermore, the Office of the Secretary for Cal-EPA indicates that the Secretary has designated a lead person to coordinate 11 separate enforcement related projects and that several cross-organization meetings have been held to initiate development and implementation of these projects. The projects include the following:

- Development of a single complaint tracking system agency wide.
- Development of a model enforcement program operational plan that will serve as a template for all enforcement programs in the agency.
- Development of a model enforcement intelligence team that will serve all regulatory programs in identifying high risk violators.
- Development of a pilot project to create an agency wide data dictionary. This pilot is part of a larger multi-phased project to integrate data collected by all programs agency wide.
- Review of the U.S EPA's Facility Registry System Number system that is used for tracking regulated facilities to identify how this system may be implemented within Cal-EPA.
- Review of the existing Environmental Information Exchange Network to enhance its current application within U.S. EPA and Cal-EPA.
- Coordination of Cal-EPA's GIS software licensing agreements into one master agreement.
- Development of an agency wide training strategy.
- Creation of regional training centers throughout the state.
- Development of a workgroup that addresses improvement of the enforceability of permits and regulations.
- Development of a communications strategy for providing information on enforcement actions to the public to help deter violations.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt supplemental report language that requires that the office of the Cal-EPA Secretary provide an update to the Legislature on the status of implementing its enforcement initiative in conjunction with the 2006-07 budget. This report should include (1) how the 2006-07 budget facilitates the implementation of the enforcement initiative and (2) examples of specific metrics that will be used to track improvements in the performance of enforcement programs agency wide.

## 2. Climate Change Activities

**Background.** In the 2004-05 budget trailer bill, the Secretary for Cal-EPA was designated as the lead for the state's climate change activities.

**Previous Subcommittee Direction.** At the April 4 meeting of the Subcommittee, the Secretary was requested to report on the universe of state activities being conducted as part of the California Climate Coordinating Council.

**Agency Response.** The Office of the Secretary for Cal-EPA indicates that it has begun work to implement the following actions:

- Support for California's motor vehicle greenhouse gas emissions regulations.
- Support for the state's accelerated Renewable Portfolio Standard and energy conservation measures.
- Development of a "scenario analysis" to evaluate the environmental and economic consequences of climate change in California, including the evaluation of the adoption of specific measures.
- Leading an intergovernmental working group to evaluate options for a comprehensive greenhouse gas (GHG) cap-and-trade program for the state.

**Climate Action Registry.** The California Climate Action Registry was established under SB 1771 (Chapter 124/Statutes of 2000) as a non-profit voluntary registry for GHG emissions. The purpose of the Registry is to help companies and organizations with operations in the state to establish GHG emissions baselines against which any future GHG emission reduction requirements may be applied. The Registry encourages voluntary actions to increase energy efficiency and decrease GHG emissions. The Secretary for Cal-EPA is Chairman of the Board of Directors for the Climate Action Registry.

For the past two years, the Legislature has provided \$200,000 in funding to assist the Climate Action Registry to implement its duties under current law. The Registry activities have grown as its membership has grown and needs additional funding to manage its programs in the budget year. These funds have been provided from the Public Interest Energy Research (PIER) Development and Demonstration Account for the past two years.

**Staff Recommendation.** Staff recommends that the Subcommittee transfer \$1 million of PIER funding from the Energy Commission to the Secretary for Cal-EPA to implement the state's Climate Change Activities. Approximately \$500,000 should be provided as a contract to the Climate Action Registry to support its operations. The remaining \$500,000 should support public

interest energy research related to climate change in the Office of the Secretary for Cal-EPA. The following budget bill language should be adopted to accomplish this shift.

0555-001-0381—For support of Secretary of Environmental Protection,  
payable from the Public Interest Research, Development and Demonstration  
Fund, for climate change-related activities.....\$1,000,000

Provisions

1. Of the amount appropriated in this item, (1) up to \$500,000 is for a grant to the California Climate Action Registry to support research related program activities and (2) remaining funds are to support public interest energy research at the Office of the Secretary on the effects of energy generation on climate change.

### 3. Reducing Air Emissions by 50 percent by 2010

**Background.** The Governor has set, as one of his goals, reducing air emissions by 50 percent by 2010. In 2004, legislation was enacted to provide approximately \$80 million annually to the Carl Moyer program to help reduce diesel emissions. Legislation also enabled local governments to raise up to \$55 million annually to help reduce emissions. In addition, the state is continuing to implement State Implementation Plans to reduce ozone and particulate matter in federal non-attainment areas in order to comply with federal law.

**Previous Subcommittee Direction.** At the April 4 meeting of the Subcommittee, the Secretary was requested to report back on what they are doing to address the growing sources of emissions related to ports, rail, and the state's trucking systems.

**Agency Response.** The Office of the Secretary for Cal-EPA has indicated that the ARB has already, or is scheduled to adopt within the next two years, regulations that will reduce emissions by 1,500 tons per day by 2010. This is approximately 50 percent of what is needed to sufficiently reduce air emissions by 2010. The ARB is currently working on developing the next phase of the state's emission reduction strategy that will include a mix of new regulations, incentive programs, and reductions from federal sources. A central part of this next phase is the administration's Goods Movement Action Plan that is identifying reduction opportunities within the state's ports, rails, and trucking system. The administration indicates that it will release this plan next month.

Furthermore, the Office of the Secretary for Cal-EPA indicates that federal sources of emissions are a big part of the problem, accounting for nearly 30 percent of California's statewide emissions of nitrogen oxides. The administration indicates that it would cost approximately \$2.3 billion to clean-up federal sources by incentives alone. The federal government has committed only \$5 million for incentives to date and is scheduled to adopt new regulations for diesel engines over the next several years.

**School Children Still Exposed to Air Emissions.** Diesel emissions from school buses are causing acute toxic exposures to air pollution, as well as longer term adverse health effects. The

exposures from school buses are especially harmful to children. Last year, the budget enacted ongoing funding to support the Carl Moyer Program which provides incentive funds to reduce diesel air pollution. School buses do not compete well for funding under the Carl Moyer Program, because buses typically run only a few hours a day and are not as cost effective to retrofit. It is estimated that the cost of retrofitting or replacing school buses is roughly \$350 million in one-time funds.

**Goods Movement Growing Sources of Air Emissions.** Air pollution related to goods movement at our ports is forecast to grow at double digit rates in the future as California's ports continue to grow in importance as the gateway of imported goods from Asia. In addition, NAFTA now allows for free commercial travel between California and Mexico. The truck fleet from Mexico is significantly older and dirtier than the U.S. fleet and will also result in a growing source of air emissions. The cost to clean up truck and port related emissions would amount to billions of dollars if incentives alone were used to address the problem.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt trailer bill language (to be drafted by staff) that targets Carl Moyer funding for a limited-term on school bus retrofits and goods movement-related diesel emissions. The language would exempt school buses from the cost-effectiveness criteria under the Moyer program to allow them to qualify for cleanup funds for a limited time period.

## 4. Hydrogen Highway

**April Finance Letter.** The Governor has submitted an April Finance letter requesting an increase in the Air Resources Board's budget by \$12.2 million and in the budget of the Secretary for Environmental Protection by \$154,000 to support the implementation of the Hydrogen Highway Network Blueprint Plan. Approximately \$6.9 million comes from the Motor Vehicle Account and \$5.5 million comes from the Energy Resources Programs Account (funded by a surcharge on the sale of electricity).

Specifically, the funds will support \$9.5 million in incentive grants (\$4 million for vehicle subsidies and \$5.5 million for cost shares on 11 hydrogen fueling stations), \$1 million in contracts and \$1.4 million to support 15 positions to start the first phase of implementation of the Hydrogen Highway Network Blueprint Plan. The Plan eventually calls for 50 to 100 hydrogen fueling stations in California, along with support for the deployment of hydrogen vehicles and a biennial progress review.

**Previous Subcommittee Direction.** At the May 9 meeting of the Subcommittee, staff, the LAO and the administration were directed to work on developing a compromise proposal that furthers the development of hydrogen fuels in the budget year. The compromise proposal should address concerns raised in the analysis, focus on important first steps and include legislation guiding the implementation of the blueprint plan.

**Staff Comments.** Staff continues to be concerned about making significant investment in a hydrogen highway infrastructure without answers to some basic questions on the environmental impacts of this proposal. For example, staff finds that an analysis that compares the



environmental impacts of different options for creating hydrogen, as well as specific impacts on environmental justice communities, is important. Staff is also concerned that the state is not doing enough in the short term to focus on alternative transportation fuels that are available on the market now and can contribute to reducing air emissions in the short term.

**Staff Recommendation.** Staff recommends that the Subcommittee approve \$1.5 million (half from ERPA and half from MVA) to fund a portion of this proposal. Specifically staff recommends approving the following components of the proposal:

- \$154,000 (ERPA) for 1 position at the Office of the Secretary for Cal-EPA to coordinate research related to hydrogen.
- \$380,000 (ERPA) for 3 positions at the Air Resources Board to conduct research related to hydrogen, including environmental impacts of a hydrogen highway and specific impacts to low-income communities.
- \$1 million (\$220,000 ERPA, \$780,000 MVA) for contracts for continued research on environmental impacts, safety and other related issues related to the implementation of a hydrogen highway.

## 5. Improving Efficiency of Cal-EPA Boards

**Background.** When CAL-EPA was created in 1991, it was promised that there would be a subsequent set of changes to the agency that increased its accountability, reduced costs, and improved efficiency. This commitment was never fulfilled.

Earlier this year, the Governor announced his California Performance Review, which called for a comprehensive remake of state government for the 21<sup>st</sup> century. Part of that plan called for the overhaul of the boards and departments within Cal-EPA. The Governor subsequently withdrew that plan and has decided not to pursue it this year.

As part of the 2004 trailer bill to the budget, legislation was enacted directing the Secretary of Cal-EPA to consolidate selected administrative functions at all of the boards, departments, and offices within the agency. Functions eligible for consolidation include the procurement of basic office supplies, information technology, fee collection, and generic human resources functions that support state personnel. This consolidation was to result in various special fund savings.

**Staff Comments.** Staff finds that certain boards at Cal-EPA could be streamlined to improve efficiency and reduce state costs. For example, the size of the nine regional water boards has made it difficult to keep boards fully appointed. Right now there are 81 regional water board members statewide. Furthermore, the Waste Board has an even number of board members, which has made it difficult to resolve split decisions. These examples highlight board structures that could be improved and streamlined to improve the efficiency, but still preserve public access to the state's regulatory processes.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt trailer bill language to do the following:

- Reduce the Waste Board from six to five members.
- Reduce the Regional Water Quality Management Boards from nine to five members.

## 3930 Department of Pesticide Regulation

### 1. Pesticides Risk Assessment Activities

**Background.** The Department of Pesticide Regulation (DPR) conducts risk assessments on pesticide ingredients to find out if they are being used in a way that is safe, both for users, and for the general population. The administration proposes providing approximately \$2.9 million for risk assessment activities at the department in the budget year.

The Office of Environmental Health Hazard Assessment (OEHHA) is the primary environmental health risk assessment branch of the state. Given some of the problems identified regarding the department's risk assessment of pesticide ingredients, OEHHA may be a more appropriate entity for risk assessment of pesticides. OEHHA does not have specific risk management responsibilities related to pesticides, which reduces the conflicts inherent at the department. Furthermore, it is likely that there will be synergies gained from centralizing the risk assessments related to pesticides with other toxic chemicals in the environment.

**Previous Subcommittee Direction.** At the April 4 meeting of the Subcommittee staff were directed to provide additional analysis regarding the pros and cons of shifting DPR's risk assessment functions to OEHHA.

**Analysis of Potential Shift.** Staff has had several meetings with stakeholders and the department regarding this issue since the April 4 meeting of the Subcommittee. Staff finds that there are many issues that would make moving DPR's risk assessment activities to OEHHA in the budget year difficult. The department has indicated that risk assessment is not limited to one division of staff at the department, but allocated to several divisions making it difficult to physically determine what positions would be transferred. Staff finds that there is a considerable history of decisions by the department that make it questionable whether past risk assessments by the department have been completely scientifically derived. Staff recognizes that risk assessment work by the department has improved considerably since the 1990s and that the department has taken several steps to improve the firewalls it has between risk assessment and risk management decisions. Nevertheless, it is likely that, so long as risk assessment and risk management of pesticide products reside in the same department, some persons will be skeptical of risk assessments produced by the department.

**Alternate Solution.** Staff finds that there are other ways to improve the independence and review of the risk assessment that do not require moving DPR's risk assessment activities out of the department. One option is to amend the statute so that a committee comprised of equal numbers of participants from DPR, OEHHA, and the Scientific Review Panel make the final decision on what exposure levels would be deemed scientifically acceptable. This option would preserve the scientific staff at the department and could alleviate criticism of undue influence from the risk management side of the department.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt trailer bill language to enact the alternate solution presented above.

## 3940 State Water Resources Control Board

### 1. Water Rights Program

**Governor's Budget.** The budget proposes to provide \$231,000 from the Water Rights Fund to support 2.6 positions that will be filled with student assistants to update and maintain accurate records of ownership for the water rights program. The budget also proposes to redirect \$270,000 of federal funds to the water rights fund in an appropriate charge to the U.S. Bureau of Reclamation for the costs of administering the Bureau's water rights.

**Previous Subcommittee Direction.** At its April 25 meeting, the Subcommittee directed staff, the LAO, DOF, and the board to identify alternative funding sources for augmenting the board's water rights program in order to continue needed environmental work to implement the in-stream flows adopted by the fisheries agencies.

**Board Response.** The board has indicated that funding for the environmental work to implement the in-stream flows adopted by the fisheries agencies for the Napa River and other North Coast streams could be funded by the General Fund, the Water Rights fee, or the Public Resources Account of the Proposition 99 tobacco tax revenues.

**Staff Recommendation.** Staff recommends that the Subcommittee:

- Approve the Governor's budget proposal for the Water Rights program; and
- Augment the water rights program by \$1.5 million General Fund to start environmental work to determine in-stream flows required for Napa River and other North Coast streams consistent with the budget trailer bill from 2004 (AB 2121).

### 2. Monitoring Activities

**Governor's Budget.** The SWAMP program is funded by approximately \$5.5 million in fees assessed on waste dischargers in the budget year. This includes approximately \$2 million to support 17 positions and \$3.5 million for contracts.

Approximately \$10 million is proposed from Proposition 50 bond funds to fund the GAMA program in the budget year. The board has indicated that it is currently working on implementing a groundwater monitoring plan that was established in statute. This plan includes completing a baseline hydro-geologic assessment to determine how groundwater flows. The board proposes that it will spend approximately \$50 million over five years to sample wells around the state and establish a baseline set of data on groundwater quality.

**Previous Subcommittee Direction.** At the April 25 meeting of the Subcommittee, the board was directed to provide additional information on the expenditure of Section 106 federal funds.

The Subcommittee also directed staff, the LAO, DOF, and the board to work on options for better coordinating the state's monitoring programs so that the state can effectively utilize data currently being collected.

**Board Response.** The Board has indicated that the \$10.1 million in Section 106 federal funds received by the board are allocated to the following activities:

- \$500,000 for the Storm Water NPDES program;
- \$4 million for the Wastewater NPDES program; and
- \$905,000 for the Total Maximum Daily Load (TMDL) Program.

The remaining federal funds are provided as a contract to U.S. EPA for wastewater, storm water, information technology, and TMDL programs.

**Staff Comments.** Staff finds that federal law directs that the Section 106 federal funds be used at least in part to support a robust monitoring program. These funds are currently not being used to support monitoring at the board. Furthermore, staff finds that the board's surface water monitoring programs (SWAMP) have suffered from budget reductions over the past several years. Currently, the SWAMP program is monitoring at only 50 sites statewide. This level of monitoring leaves significant data gaps, because many of the state's water bodies remain unmonitored.

**Staff Recommendation.** Staff recommends that the Subcommittee redirect \$4.5 million in federal funds currently supporting the NPDES program to support the SWAMP program. The board should backfill this reduction in the NPDES program with increase fees from the Waste Discharge Permit Fund.

## 3960 Department of Toxic Substances Control

### 1. BKK Class I Landfill

**Background.** The State recently took over operation and maintenance activities related to the BKK Class I (hazardous waste) landfill in West Covina, California when the BKK Corporation informed DTSC that it was on the verge of bankruptcy and would no longer be able to fund post closure obligations. The BKK Corporation is a subsidiary of the Washington Mutual Corporation. The DTSC acted quickly to assume operations of the landfill because of the direct health and safety risks to surrounding communities. In order to fund these activities in the current year, \$7 million General Fund has been approved, including funding for major deferred maintenance projects. The DTSC is currently pursuing potentially responsible parties that contributed hazardous waste to this site to seek funding for ongoing operations and maintenance costs associated with this site. However, the State, itself (mainly Caltrans), is a major responsible party that contributed hazardous waste to this site during its years of operation.

**April Finance Letter.** The letter proposes \$8.5 million General Fund to continue operations of the BKK landfill in the budget year. Approximately \$5.5 million will be used to fund a contractor for operating costs associated with operation of the landfill. Approximately \$3 million

will be for one-time costs for additional deferred maintenance projects. Thus far, no responsible parties have stepped forward to take over site operations. Therefore, the state has hired a contractor that will maintain the site at a cost to the state of approximately \$15,000 per day.

Negotiations are continuing with a group of potentially responsible parties regarding ongoing funding for the site. So far, the group has provided approximately \$500,000 for current year activities. The administration has included budget bill language that would require that any additional funds from the responsible parties received in the budget year be expended to maintain the site before expending monies from the General Fund. Therefore, a portion of the General Fund could be reverted if the state receives sufficient funds from the responsible parties.

**Previous Subcommittee Direction.** At the April 4 meeting of the Subcommittee, action was withheld on the state's maintenance of the BKK landfill until staff could review the more complete funding proposal that had been submitted for maintenance activities in the budget year. The Subcommittee also directed the department to submit plans for improving financial assurances related to the long-term management of hazardous landfills in order to avoid a BKK-type situation in the future.

**Department Response.** The department has provided staff with additional information on the proposal to fund BKK landfill operations and deferred maintenance. Staff finds that operation of this landfill is extremely costly. The department has not provided staff with any plans for improving financial assurances related to long-term management of hazardous landfills.

**Staff Recommendation.** Staff recommends that the Subcommittee:

- Approve the budget proposal to fund BKK landfill operations, including the April Finance letter.
- Adopt budget bill language requiring notification of the Legislature when the department is reimbursed by the potential responsible parties.
- Adopt trailer bill language that requires the state emergency response costs to be counted towards the state's overall share of the total liability associated with the landfill.

## 2. Brownfield Cleanup

**Governor's Budget.** The administration proposes additional funding to oversee Brownfield remediation at both the Water Board and DTSC. The Governor proposes to provide \$1.6 million to support 15 new positions at the Water Board and \$1.7 million to support 15 new positions at DTSC. Approximately \$1 million is from the State Water Quality Fund, \$1 million from reimbursements, \$914,000 is proposed from federal funds, and \$200,000 from the Hazardous Waste Control Account. These funds will be used to oversee cleanup of Brownfield properties, including closed military bases.

**April Finance Letter.** The letter proposes increasing expenditure authority for federal funds by \$500,000 to provide the cities of Los Angeles, Sacramento, and San Francisco with funding for program development and outreach for Brownfield cleanup. The DTSC has applied as a coalition with the cities of Los Angeles, Sacramento, and San Francisco for \$4 million in federal funding from U.S. EPA's Brownfields Revolving Loan Fund and Cleanup Grant program. The federal

funds requested by this letter would be made available only if U.S. EPA provides the state and its municipal partners with a grant. The U.S. EPA is expected to announce awards later in the spring of 2005 and actual awards will be made in September or October.

**Previous Subcommittee Direction.** At the April 4 meeting of the Subcommittee, budget proposals to augment staffing to oversee Brownfield cleanup activities at the department and the State Water Resources Control Board were approved. The Subcommittee also directed staff, LAO, and the administration to work on funding options for Brownfield cleanup in the budget year.

**Brownfield Cleanup Needed.** The Governor's Environmental Action Plan stated that a top priority for his administration was "to rapidly complete the cleanup of brownfield sites, especially the thousands of locations with leaking underground petroleum fuel tanks, enabling these sites to be developed for commercial uses." Legislation was enacted in 2004 to provide approximately \$10 million annually for brownfield cleanup of sites contaminated by petroleum. However, it is estimated that the need for funding for brownfields cleanup could be up to \$200 million per year and that funding needs to be available for contaminant cleanup beyond petroleum, since some sites are contaminated with other pollutants. There continues to be a need for additional funding to assist local governments and property owners to clean up abandoned sites and to assist in returning those sites to productive use.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt trailer bill language to increase and expand funding for brownfields cleanup under the Underground Tank Cleanup law and the environmental fee statutes presently used to fund DTSC programs.

## 0540 Secretary for Resources

### 1. River Parkways Program

**Governor's Budget.** The administration proposes to appropriate \$38.35 million in bond funds (\$30.5 million Proposition 50, \$7.85 million Proposition 40) for River Parkway grants for 2005-06. The Proposition 40 grant funds are proposed to be allocated as opportunity grants by the Secretary, which means that these grants will not be allocated through a competitive process. The remainder of Proposition 50 funds are planned to be allocated through a competitive solicitation process.

**Previous Subcommittee Meeting.** At the March 14 meeting of the Subcommittee this issue was left open pending receipt and review of the draft guidelines for the River Parkway grant program and a plan for allocating the funds through a transparent allocation process.

**Agency Response.** The Resources Secretary has submitted draft guidelines for the River Parkways program. Staff finds that the guidelines are consistent with the legislation enacted in 2004 to guide the implementation of the program. Furthermore, the Resources Secretary has provided an outline for allocating opportunity grants through a transparent process.

**Staff Recommendation.** Staff recommends that the Subcommittee:

- Approve the Proposition 50 bond funds for the budget year only; and
- Defer approval of the Proposition 40 bond funds so that staff can further evaluate how these funds are proposed to be allocated.

## 2. Sierra Nevada Cascade Grant Program

**Governor's Budget.** The administration proposes \$11.65 million Proposition 50 bond funds for Sierra Nevada Cascade grants for 2005-06. The grants are proposed for competitive solicitation.

**Previous Subcommittee Meeting.** At the March 14 meeting of the Subcommittee, this issue was left open pending receipt and review of the draft guidelines for the River Parkway grant program and a plan for allocating the funds through a transparent allocation process. The Resources Secretary was also asked to provide additional information on how it would coordinate with the new Sierra Nevada Conservancy in the allocation of these grants.

**Agency Response.** The Secretary has indicated that Resources will not be able to submit draft guidelines prior to the conclusion of budget hearings, but will submit the draft guidelines for this program to the Legislature upon completion of the guidelines later this summer. The Secretary has indicated that Resources plans on consulting with the new Sierra Nevada Conservancy prior to awarding grants to ensure that grants are consistent with needs identified by the Conservancy.

**Staff Recommendation.** Staff recommends that the Subcommittee:

- Approve the allocation of Proposition 50 bond funds for the budget year only, and
- Approve the following LAO budget bill language to evaluate the Sierra Nevada Conservancy's role in allocating grant funds for 2006-07.

Item 0540-001-6031

Provisions:

1. The Secretary for Resources, in consultation with the Sierra Nevada Conservancy, shall submit a plan for the coordination of grant programs in the Sierra Nevada region to the Joint Legislative Budget Committee and the fiscal committees of both houses of the Legislature by December 1, 2005.

## 3. California Environmental Quality Act Equivalent Programs

**Background.** Recent legislation (SB 1393, Kuehl) required that the Secretary for Resources develop a protocol to evaluate California Environmental Quality Act (CEQA) equivalent certified regulatory programs. These programs are designated by the Secretary for Resources as functionally equivalent to CEQA and are not required to complete the required Environmental Impact Reports under CEQA.

**Previous Subcommittee Direction.** At the March 14 meeting of the Subcommittee the staff, LAO, and the Resources Secretary were directed to develop trailer bill language that would

require the Resources Secretary to complete evaluation of three certified regulatory programs annually to ensure that they are equivalent with the California Environmental Quality Act.

**Agency Response.** The administration has reviewed the current draft trailer bill language and believes the language is unnecessary since the Secretary is presently reviewing all of the certified regulatory programs as required by current law.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt the trailer bill language as currently drafted and continue to work with the administration to find a compromise on the review process.

#### 4. Environmental Review of Liquefied Natural Gas and Marine Oil Terminal Applications

**Governor's Budget.** The administration is proposing \$114,000 from reimbursements to extend one limited-term environmental scientist to support the increased workload of the SLC's environmental review activities related to LNG and MOT applications. The SLC has three positions (including the requested limited-term position) providing environmental review of applications received by SLC. The SLC's environmental review activities are reimbursed by the companies developing proposals for LNG facilities and new MOTs.

The CCC has approximately 4 positions supported by the General Fund to review all energy-related applications. The budget does not provide any augmentation to its staffing resources to address the increased workload associated with the 36 MOT leases and the LNG proposals.

**Previous Subcommittee Direction.** At the March 14 meeting of the Subcommittee the Resources Secretary was directed to provide workload information on the current and projected work required by the state agencies under the Resources Agency in reviewing LNG applications, including information on current staffing levels.

**Agency Response.** The Resources Secretary has not provided any additional information on the staffing resources related to the review of LNG plants. The Chairman of the Energy Commission has indicated in correspondence with the committee that a joint workshop will be held in June conducted by the Energy Commission, Resources Secretary, and the Public Utilities Commission to explore ways to maximize the potential economic benefits to consumers of any natural gas imported to California in the form of LNG. The joint workshop does not plan on addressing environmental concerns related to these potential offshore facilities.

**Staff Recommendation.** Staff recommends that the Subcommittee request that the administration include discussions of the environmental impacts of LNG in its joint workshop to be held in June.



## 5. Invasive Species

**Background.** The state's invasive species activities are conducted by several different agencies. Assembly Bill 2631 (Wolk) attempted to coordinate the state's many invasive species control and eradication efforts in 2004, but this bill was vetoed by the Governor. The Governor's veto message directed the Secretary of Resources, along with the Secretary for Food and Agriculture, to develop recommendations for enhancing the coordination and effectiveness of our invasive species eradication and control programs by December 31, 2004. These recommendations have not been released.

**Previous Subcommittee Direction.** At the March 14 meeting of the Subcommittee the Resources Secretary was directed to provide information on recommendations made related to coordinating the state's invasive species activities.

**May Revision.** The administration proposes trailer bill language to eliminate the Interagency Aquatic Invasive Species Council. The administration indicates that this council was never formed and that its mission is already being carried out by the Department of Fish and Game.

**Agency Response.** The Office of the Resources Secretary has indicated that information on the recommendations related to the state's invasive species activities will not be provided prior to the conclusion of budget hearings. The administration indicates that eliminating this council will improve the efficiency of government by consolidating the number of boards, commissions and other small entities.

**Staff Comments.** Staff is concerned about taking an action to eliminate this council until it has seen the administration's plan for coordinating the state's invasive species activities. The administration has indicated that recommendations have been submitted to the Governor's office for review, but these recommendations have not been released. Staff finds that adopting trailer bill language to eliminate this council is premature, as the information is still forthcoming.

**Staff Recommendation.** Staff recommends rejecting the May Revision proposal to eliminate the Interagency Aquatic Invasive Species Council until recommendations related to coordinating the state's activities related to invasive species are released.

## 3360 California Energy Commission

### 1. PIER Program

**Background.** The Public Interest Energy Research Development and Demonstration (PIER) program provides grant funds to public and private entities for research, development, and demonstration of electricity-related technologies. Recent legislation directed CEC to establish an independent review panel to evaluate the PIER program. The PIER program is scheduled to sunset in 2011.

**Previous Subcommittee Direction.** At the April 18 meeting of the Subcommittee, staff was directed to develop trailer bill language that requires the commission to develop a long-term workload and staffing plan for the PIER program.

**Commission Response.** The Commission has reviewed the draft trailer bill language and believes that it can comply with the required report setting forth a long-term research priority, program management, and staffing plan.

**Staff Comments.** Energy-related research has increasingly become interlinked with air quality, environmental protection and climate change activities, which are the core responsibilities of Cal-EPA. Nevertheless, the PIER program has been managed since its inception at the CEC, which does not have the same environmental protection mandates as Cal-EPA. Staff finds that a portion of the PIER research funds should be dedicated to energy-related technologies and products that reduce the negative environmental impacts of the energy industry.

**Staff Recommendation.** Staff recommends that the Subcommittee take the following actions:

- Approve trailer bill language to require that the Commission develop a long-term workload and staffing program for the PIER program consistent with language adopted by the Assembly on May 11.
- Transfer \$31.25 million in grant funds from the PIER program to the Air Resources Board for the management of a grant program to fund energy-related research on technologies that reduce the environmental impact of the state's energy infrastructure. Trailer bill language (to be drafted by staff) will be needed to make this transfer possible.

## 2. Frontier Line Transmission Project

**May Revision.** The Governor has proposed \$2.5 million from the Energy Resources Program Account for support of the Frontier Line Transmission Project. In April 2005, the Governors of California, Nevada, Utah, and Wyoming signed an agreement to develop a transmission line originating in Wyoming with terminal connections in the other three states. This project is currently in the pre-feasibility stage and a Coordinating Committee has been formed to do conceptual-level work to define the transmission project, study the route, and create a process for selecting a potential developer.

Approximately \$2.25 million is proposed for a one-time contract to ensure adequate support for the proposed transmission project's Coordinating Committee. The remaining funding will support 2 two-year limited term positions at the Energy Commission to manage and direct the contract. The estimated cost of the Coordinating Committee's work is approximately \$12 million. It is proposed that the federal government will provide about \$6 million and the remainder will be provided by the other states.

**Environmental Concerns.** Concerns have been raised regarding the potential use of the Frontier Line to deliver electricity from coal-burning power plants to California. Coal-burning power plants have been found to have significant negative impacts on the environment. They are a major contributor to carbon dioxide in the environment, which is a significant source of global

warming emissions. Coal-burning power plants also are a significant cause of mercury pollution in our environment.

**Consistency with Energy Action Plan.** The Frontier Line could provide California with access to up to 12,000 Megawatts of new generation capacity, including the ability to deliver energy from renewable sources. The administration estimates that this transmission line could save California customers \$325 million annually by tapping into lower cost energy resources. While this could potentially be an important future source of electricity for meeting electricity demands in the state, it is not currently part of the state's Energy Action Plan that outlines a vision for meeting the state's future energy needs. The state's current plan calls for cost-effective investments in energy conservation, development of additional renewable energy projects, and the development of transmission interconnections within California. The current plan does not call for the construction of a major new transmission that would access additional coal-generated electricity. Based on the energy planning done by the state to date it is not clear how this project fits into the state's overall plan for meeting its electricity needs.

**Staff Recommendation.** Staff recommends that the Subcommittee reject this proposal.

## 3480 Department of Conservation

### 1. Williamson Act

**Background.** The Williamson Act allows cities and counties to enter into contracts with landowners to restrict certain property to open space and agricultural uses. In return for these restrictions, the property owners pay reduced property taxes. The contracts entered into between local governments and property owners are ten-year contracts, which are typically renewed each year for an additional year, such that the contract remains at a constant 10 years. Landowners that do not renew their contracts face gradual increases in their property tax over a ten-year period to the level that unrestricted land is taxed. Landowners that cancel their Williamson Act contracts must pay a penalty of 12.5 percent of the unrestricted fair market value of the land.

**Previous Subcommittee Direction.** At the April 11 meeting of the Subcommittee, staff, the LAO, and the administration were directed to develop trailer bill language to increase the penalties assessed for canceling a Williamson Act contract. The administration was also directed to provide additional information and rationale for the existing penalty.

**Staff Comments.** After meeting with the department, the staff finds that increasing the penalties on the cancellation of Williamson Act may not be the best way to improve the effectiveness of keeping land in Williamson Act contracts. Staff finds that, for the last several years, cancellation penalties have been significantly more than what is estimated in the Governor's budget. Current law limits the amount of the penalties that the department keeps to fund its land management programs. Staff finds that an increase in staff at the department could improve the effectiveness of the Williamson Act by increasing oversight of actions by local governments. Staff also finds that the department's enforcement over properties that are in material breach of their Williamson Act contract could be made more efficient. Specifically, current law allows property owners that

are in material breach of state law to appeal the assessor's valuation and the department's appraisal for purposes of penalty valuation.

**Staff Recommendation.** Staff recommends that the Subcommittee:

- Augment the department's Williamson Act enforcement unit by \$350,000 from the Soil Conservation Fund (Williamson Act cancellation penalty money) and establish three new positions.

## 3540 Department of Forestry and Fire Protection

### 1. Augmentation to Off-Season Fire Protection for Southern California

**Governor's Budget.** The Governor's budget proposes \$9 million in ongoing General Fund monies to fund fully-staffed fire protection in five Southern California counties. Approximately \$5.7 million is proposed to support 49 new positions to fully staff the 36 fire stations in Riverside, San Bernardino, and San Diego counties year-round. About \$3.3 million will be provided to Los Angeles and Orange counties to reimburse these counties for providing fully-staffed fire protection service year-round to SRA lands within these counties. This level of funding will support three firefighters per engine, year-round, in the five Southern California counties identified.

**Previous Subcommittee Direction.** At the April 18 meeting of the Subcommittee the department was directed to provide additional information that justifies the augmentation to off-season fire protection resources in the five Southern California counties. The Subcommittee also requested additional information on how contract counties will use increased funds to provide additional services to benefit the state and how the Amador agreements will be impacted by this proposal. Further analysis was also requested regarding how fuel reduction activities would be enhanced by augmenting off-season fire protection resources.

**Department Response.** The department has not been able to provide specific information that justifies the augmentation to off-season fire protection resources. For example, the department has not provided data that justifies the increase in staffing due to increased incidences of fires in the off-season. Nevertheless, the department has indicated that it will increase its fire prevention activities with the increase in staffing resources. The department has provided general work plans that include increased fire prevention, public education, and increased fuel reduction.

**Staff Recommendation.** Staff recommends that the Subcommittee:

- Approve this request; and
- Adopt supplemental report language that requires the department to report on the following (1) performance measures related to increased prevention/inspection work; (2) impacts to Amador Agreements; and (3) coordination with contract counties on their increased level of inspection and prevention activities.

## 2. Legislative Oversight of CDF's Budget

**Governor's Budget.** Currently, CDF is generally exempt from the Section 28.00 process, which reduces the Legislature's oversight over how CDF is expending its resources.

In addition, CDF does not schedule budgetary expenditures in the budget bill in a manner that is similar to the way in which expenditures are presented in the Governor's budget. This lack of scheduling enables the department to transfer funds among program areas without legislative notification.

**Previous Subcommittee Direction.** At the April 18 meeting of the Subcommittee, staff, the LAO, DOF, and the department were directed to work on budget bill amendments and reporting requirements that would allow the Legislature to receive notification of unanticipated federal funds and provide a schedule of appropriations by program area.

**Department Response.** The department indicated that it did not have any issues with the LAO's recommendation to schedule budget bill expenditures by program area, similar to how the budget is presented in January. The department has not been able to provide staff with information to justify its exemption from the Section 28.00 budget process. The Section 28.00 process allows for legislative notification of the receipt of unanticipated federal funds.

**Staff Recommendation.** Staff recommends that the Subcommittee:

- Amend budget bill language to delete the provision exempting the department from the Section 28.00 process; and
- Revise budget bill language so that the department's expenditures are scheduled so as to be similar to the way they are presented in the Governor's budget.

## 3. Funding for Forest Resource Management, Assessment and Enhancement Programs

**Governor's Budget.** The Governor's budget estimates that \$7 million in revenue will be generated from the sale of forest products harvested on state forest land in the budget year. The budget proposes to expend \$4.6 million of these revenues on forest resources enhancement programs. This proposal assumes some resolution of the current court-ordered moratorium on timber harvesting in the Jackson State forest.

**Previous Subcommittee Direction.** At the April 18 meeting of the Subcommittee the budget for forest resource assessment and enhancement programs was left open pending receipt of the department's draft EIR for timber harvesting on Jackson State forest. Staff, the LAO, DOF, and the department were also directed to work on options for funding forest resource assessment and enhancement activities in the budget year if legal issues related to timber harvesting on Jackson State forest were not resolved by the EIR.

**May Revision.** The Governor proposes to provide \$3 million from the Renewable Resource Investment Fund to fund forest management, assessment and enhancement programs in the budget year.

Since the Subcommittee meeting the department has indicated that its draft EIR to harvest timber on Jackson State forest is still under review internally and that the earliest possible date for board approval of the EIR and a new management plan is July 2005. The department now estimates that the earliest possible date for timber harvesting to resume at Jackson State Forest is May 2006. Therefore, it is unlikely that a significant portion of the \$7 million estimated from the sale of forest products harvested on state forest land would be achieved.

The administration proposes to maintain the same level of expenditures for forest resource management, assessment, and enhancement programs as proposed in the January budget (\$4.6 million). The level of expenditures proposed for forest resource management, assessment and enhancement programs represents a minimum level of expenditures for these programs. These programs were typically supported at about \$13 million prior to the court-ordered moratorium on timber harvesting at Jackson State forest.

**Staff Recommendation.** Staff recommends that the Subcommittee:

- Approve the Governor's budget for forest resource management, assessment and enhancement programs;
- Approve the proposed May Revision amendment to the budget for these programs; and
- Redirect \$6 million General Fund to backfill the remaining forest resource management, assessment, and enhancement programs from the department's General Fund central administration budget.

#### 4. Funding for More Fire Engines

**May Revision.** The Governor proposes \$5 million General Fund to purchase new fire engines equipped for responding to structure fires in the wildland-urban interface areas. This proposal is in addition to the ongoing \$10.8 million General Fund augmentation for fire engine replacement approved by the Subcommittee at the May 9 hearing.

**Equipment Replacement Schedule.** Staff and the administration have done a significant amount of work developing an equipment replacement schedule that identifies the backlog of equipment that needs to be replaced. The request for engines contained in this proposal is new and not currently part of the equipment replacement schedule. Information has not been provided to justify this request.

**Staff Recommendation.** Staff recommends that the Subcommittee reject this proposal.

#### 5. Restoration of Unallocated Reduction

**May Revision.** The Governor proposes \$6.7 million General Fund to restore an unallocated reduction that was included in the January budget. The administration indicates that this cut is being restored to provide the maximum available fire protection against wildland fires.

**Staff Comments.** On April 25 the Governor, in a press conference, pledged that he would restore the unallocated reduction proposed in the budget to the Department of Forestry and Fire Protection. Unallocated General Fund reductions have been proposed for all state departments across the board. This is the only unallocated reduction proposed for restoration in the Resources Agency. It is not clear to staff why this department's reduction is being singled out for restoration when other departments have taken significantly larger reductions over the last few years and have not received the number of augmentations this department is receiving in the budget year.

**Staff Recommendation.** Staff recommends that the Subcommittee reject this proposal.

## 3640 Wildlife Conservation Board

### 1. Bond Reappropriation

**May Revision.** The Governor proposes to reappropriate \$18.6 million in Proposition 40 bond funds that were appropriated in 2002, but have not been expended. Approximately \$4.8 million was appropriated by AB 52 (Wiggins) to support the Oak Woodlands Conservation Program, and approximately \$3.2 million is remaining and proposed for reappropriation. Approximately \$19.2 million was appropriated by SB 984 (Costa) in 2002 to support the Rangeland, Grazing Land, and Grassland Protection Program and approximately \$15.4 million is remaining and proposed for reappropriation.

**Staff Recommendation.** Staff recommends approving the proposed reappropriation of bond funds.

## 3720 California Coastal Commission

### 1. Improving Coastal Access and Development Mitigation

**Background.** The Coastal Commission has employed the use of "offers to dedicate" (OTD) as a mitigation tool in its permitting process. Under OTDs, the permittee is offering to transfer an interest in a portion of his/her land at some point *in the future* (when an entity is found to accept the offer) in return for a permit to develop his/her property *now*.

The LAO has made the following recommendations to improve the use of OTDs as effective mitigation tools and to improve legislative oversight over the use of OTDs by the commission. The recommendations include:

- Reporting on the universe of OTDs.
- Developing a plan for accepting and opening OTDs.
- Designating a State Agency to accept non-access OTDs.

**Previous Subcommittee Direction.** At its April 11 meeting, the Subcommittee directed staff, the LAO, and the administration to work on trailer bill language to implement the LAO's recommendations and to develop options for funding the LAO's recommendations.

**Department Response.** The commission has indicated that it would not require additional staffing resources to report on the universe of OTDs and that this information could be gathered by the end of the calendar year. The commission also indicated that a plan for accepting and opening pending OTDs could be developed within the same time frame. According to the Commission, they need approximately 5 new positions to completely update their tracking database and files, prioritize OTDs for acceptance, get OTDs accepted more quickly, and increase monitoring of already accepted OTDS.

**Coastal Commission Permit Fees.** Staff finds that the commission's current permit fees have not been increased since 1991 and that its fees are considerably lower than comparable fees at local governments. The commission has the authority to increase its fees without action by the Legislature. However, staff finds that the commission would prefer intent language that directs the commission to increase its fees. If the commission raised its fees to cover approximately 50 percent of its current permitting program it would raise approximately \$2.3 million. This issue was discussed at length during the 2004 budget discussions. Current law requires that the commission fees be transferred to the State Coastal Conservancy for coastal access projects.

**Staff Recommendation.** Staff recommends that the Subcommittee:

- Adopt trailer bill language stating legislative intent that the commission raise its fees to generate approximately \$2.3 million in the budget year.
- Adopt trailer bill language that allocates \$1 million of the permit fees annually to the State Coastal Conservancy for coastal access projects, including accepting and opening OTDs. The remainder of the fee revenues (\$1.3 million) should be deposited in the General Fund.
- Augment the budget by \$600,000 General Fund to establish 5 new positions (2 permanent and 3 three-year limited term) to address the backlog of work related to tracking, accepting, and opening OTDs.
- Adopt the following supplemental report language:
  1. On or before January 10, 2006, the California Coastal Commission, with assistance from the State Coastal Conservancy, shall report on all offers to dedicate described in Public Resources Code Section 31402.1 that have not yet been accepted by a third party, including those offers to dedicate where the acceptance status is currently unknown. The report shall include the type of offer to dedicate (public accessway, conservation easement, or open-space easement), status, location, expiration date, names of potential entities that could accept the offer and assume long-term management thereof, and the date on which the commission plans to begin working on getting the offer to dedicate accepted.
- Adopt supplemental report language that requires the commission to report annually on its progress in addressing the backlog of OTDs (to be drafted by staff).
- Adopt trailer bill language that designates the State Coastal Conservancy as the default agency to accept non-access OTDs set to expire and to exempt this process from the



Department of General Service process (similar to the current process for accepting access OTDs).

## 2. Environmental Review of Liquefied Natural Gas and Marine Oil Terminal Applications

**Governor's Budget.** The CCC has approximately 4 positions supported by the General Fund to review all energy-related applications. The budget does not provide any augmentation to its staffing resources to address the increased workload associated with the 36 MOT leases and the LNG proposals.

**Previous Subcommittee Direction.** At the March 14 meeting of the Subcommittee the Resources Secretary was directed to provide workload information on the current and projected work required by the state agencies under the Resources Agency in reviewing LNG applications, including information on current staffing levels.

**Agency Response.** The Resources Secretary has not provided additional information, as requested, on staffing needs at the commission to adequately review LNG facility applications and the MOT leases.

**Staff Recommendation.** Staff recommends that the Subcommittee:

- Augment the budget by \$350,000 General Fund to establish 3 new positions to augment the energy unit in the Commission that reviews LNG proposals and the MOT leases.

## 3790 Department of Parks and Recreation

### 1. Hearst Acquisition Staffing

**Governor's Budget.** The budget includes \$1.3 million from the General Fund and 7 new positions to support the initial phase of management and operation of the state-owned properties, as well as terms and conditions of the conservation easement related to San Simeon Point, Ragged Point, and Pico Cove.

**Previous Subcommittee Direction.** At the April 18 meeting of the Subcommittee action was withheld on the staffing for the Hearst acquisition pending receipt of additional information from the department regarding other recent park acquisitions and the staffing needs at other parks for start-up operations.

**Staff Comments.** Staff finds that the state has purchased approximately 44,000 acres of new parkland since 2002-03. Few of the new parklands have been allocated dedicated state staff due to budget conditions. The department has indicated that the Hearst parkland was identified for additional funding because of the large number of people expected to visit the property in the budget year.

Staff finds that public access was permitted on the property prior to the state acquiring this property. The department has expressed the need to address the current uncontrolled public access to this property. Given that many state park properties currently have no public access it seems like it may be more appropriate to allocate some staff to facilitating public access to other state park properties.

**Staff Recommendation.** Staff recommends that the Subcommittee redirect \$500,000 and 3 positions to provide access to other park properties in the state park system that currently have no public access.

## 2. Empire Mine Pollution Mitigation Study

**April Finance Letter.** The letter proposes \$500,000 from the General Fund to support consulting contracts to study the presence of contaminants at the Empire Mine State Historic Park. The park is the site of major mining activities that operated for over 100 years. It is known that there are various contaminants that cause potential health risks present at the park, including asbestos, radon, and various metals. The studies funded include a human health risk assessment and a storm water pollution prevention plan.

The department has indicated that a notice of violation and intent to file suit under the Federal Water Pollution Control Act was received by the department in the fall of 2004 related to water and soil contamination at the Empire Mine State Historic Park. Receipt of this notice, as well as industrial storm water permit requirements communicated by the State Water Resources Control Board, have necessitated this request.

**Previous Subcommittee Direction.** At its May 9 meeting, the Subcommittee directed staff, the LAO, and the administration to evaluate the opportunity costs of using SMARA funds for planning and environmental assessment of the Empire Mine State Park.

**Department Response.** The Department of Conservation has indicated that a sufficient balance exists in the SMARA account if the state continues to receive sufficient royalties from mining on federal lands. Current law allocates the first \$2 million from the mining royalties to the SMARA fund when revenues exceed \$20 million. If revenues are below \$20 million the account only receives \$1.1 million.

**Staff Comments.** Staff finds that royalties from mining on federal lands are appropriately spent on activities related to mining and the impacts of mining on the environment. Staff does not find any justification for the current trigger that limits the allocation of mining revenues to the SMARA fund. Staff finds that SMARA funds are an appropriate source of funding for the environmental work related to the Empire Mine.

**Staff Recommendation.** Staff recommends that the Subcommittee:

- Adopt the LAO recommendation and use SMARA funds on a one-time basis to fund the environmental work related to the Empire Mine.

- Adopt trailer bill language to amend the statute to annually deposit the first \$2 million in federal mining royalties in the SMARA fund regardless of total revenues received by the state.

### 3. Deferred Maintenance

**Background.** The Department of Parks and Recreation currently has approximately \$873 million in deferred maintenance. The state park system is an important piece of state's infrastructure that has been chronically under-funded for routine maintenance activities.

**Staff Recommendation.** Staff recommends that the Subcommittee:

- Add \$3 million in General Fund to the department's budget for deferred maintenance activities statewide.

## 3810 Santa Monica Mountains Conservancy

**Background.** In the 2004 budget negotiations, the SMMC was required to provide information to DOF and the Legislature that would increase oversight and accountability of bond funds expended by the conservancy. The DOF has indicated that SMMC has met all of the requirements included in the budget bill language included in the 2004 budget. However, budget bill language has not been amended to reflect these changes.

**Previous Subcommittee Direction.** At the April 11 meeting of the Subcommittee the budget proposals for SMMC were approved and staff, DOF, the LAO, and the Conservancy were directed to amend budget bill language to reflect the settlement of issues with DOF.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt the following amendments to the budget bill language for SMMC:

3810-301-0941—For capital outlay, Santa Monica  
Mountains Conservancy, payable from the Santa  
Monica Mountains Conservancy Fund .....13,000  
Schedule:  
(1) ~~50.20.002~~ 50.20.001-Capital Outlay and Local Assistance .....13,000

Provisions:

1. The Santa Monica Mountains Conservancy may encumber these funds for either capital outlay or local assistance grants through June 30, 2008. The conservancy shall not encumber these funds for any grant not previously approved by the Office of the Attorney General.
2. The Santa Monica Mountains Conservancy shall issue grants from this appropriation only in accordance with the General Obligation Bond Law and the specific provisions of the bond funds from which appropriations have been made, and according to advice it has received from the Office of the Attorney General, and, if appropriate from the Office of the State Treasurer, respecting the permissible use of bond funds available to the conservancy.

3. Any time that the Office of the Attorney General concludes that any use of bond funds has not been consistent with the advice provided by the Attorney General ~~opinion standard~~, the Santa Monica Mountains Conservancy shall follow the instructions of the Attorney General with respect to recovery, refund, or other settlement.

4. ~~Funds appropriated by this item shall be available upon a determination by the Director of Finance that the Santa Monica Mountains Conservancy and the Mountains Recreation and Conservation Authority have satisfactorily resolved the findings identified in the "Final Management Letter—Audit of Proposition 12, 13, and 40 Bond Funds," prepared by the Office of State Audits and Evaluations. Department of Finance, dated May 4, 2004.~~

The Santa Monica Mountains Conservancy shall submit a report to the Director of Finance and the Joint Legislative Budget Committee, no later than October 1, 2005, on the Conservancy's procedures and progress towards achieving compliance ~~with any outstanding or unverified resolution~~ with audit findings identified in "Final Management Letter—Audit of Proposition 12, 40, and 50 Bond Funds," prepared by the Office of State Audits and Evaluations. Department of Finance, dated March 1, 2005. ~~The report shall include, but not be limited to, the Conservancy's compliance procedures for adherence to state travel guidelines for state funded grant recipients, the prohibition on advancing grant funds, grant project quarterly status reports, and ensuring costs are allowable pursuant to Office of Management and Budget Circular A 87.~~

3810-301-6031—For capital outlay, Santa Monica  
Mountains Conservancy, payable from the Water Security,  
Clean Drinking Water, Coastal and Beach Protection  
Fund of 2002 .....9,500,000  
Schedule:  
(1) 50.20.001 ~~Capital Outlay Acquisitions~~ .....2,000,000  
(2) ~~50.20.002 Capital Outlay and Local Assistance~~ .....9,500,000

Provisions:

1. The Santa Monica Mountains Conservancy may encumber these funds for either capital outlay or local assistance grants through June 30, 2008. The conservancy shall not encumber these funds for any grant not previously approved by the Office of the Attorney General.

2. The Santa Monica Mountains Conservancy shall issue grants from this appropriation only in accordance with the General Obligation Bond Law and the specific provisions of the bond funds from which appropriations have been made, and according to advice it has received from the Office of the Attorney General, and, if appropriate, from the Office of the State Treasurer, respecting the permissible use of bond funds available to the conservancy.

3. Any time that the Office of the Attorney General concludes that any use of bond funds has not been consistent with the advice provided by the Attorney General ~~opinion standard~~, the Santa Monica Mountains Conservancy shall follow the instructions of the Attorney General with respect to recovery, refund, or other settlement.

4. ~~Funds appropriated by this item shall be available upon a determination by the Director of Finance that the Santa Monica Mountains Conservancy and the Mountains Recreation and Conservation Authority have satisfactorily resolved the findings identified in the "Final Management Letter—Audit of Proposition 12, 13, and 40 Bond Funds," prepared by the Office of State Audits and Evaluations. Department of Finance, dated May 4, 2004.~~

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40, and 50 Bond Funds,” prepared by the Office of State Audits and Evaluations. Department of Finance, dated March 1, 2005. ~~The report shall include, but not be limited to, the Conservancy's compliance procedures for adherence to state travel guidelines for state funded grant recipients, the prohibition on advancing grant funds, grant project quarterly status reports, and ensuring costs are allowable pursuant to Office of Management and Budget Circular A-87.~~

Staff also recommends that the Subcommittee add the following items to reappropriate bond funds that will not be expended or encumbered before the end of the current year:

**3810-490—Reappropriation, Santa Monica Mountains Conservancy**

The balance of the appropriation provided in the following citation are reappropriated for the purposes of liquidation and, subject to the limitations, unless otherwise specified, provided for in this appropriation, shall be available for liquidation until June 2008.

0940—Santa Monica Conservancy Fund.

(1) Item 3810-301-0941, Budget Act of 2000 (Ch. 52, Stats. 2000)

20.10.140 – Capital Outlay and Grants

**3810-XXX—Reappropriation, Santa Monica Mountains Conservancy**

The balance of the appropriation provided in the following citation are reappropriated for the purposes of liquidation and, subject to the limitations, unless otherwise specified, provided for in this appropriation, shall be available for expenditure for capital outlay or local assistance through fiscal year 2009.

0005—2000 Park Bond: Santa Monica Mountains & Rim of the Valley Trail Corridor Projects

(1) Item 3810-301-0005, Budget Act of 2000 (Ch. 52, Stats. 2000)

20.10.140—Capital Outlay and Grants

(2) Item 3810-301-0005, Budget Act of 2001 (Ch. 106, Stats. 2001)

20.10.140—Capital Outlay and Grants

(3) Item 3810-301-0005, Budget Act of 2002 (Ch. 379, Stats. 2002)

20.10.140—Capital Outlay and Grants

## 3855 Sierra Nevada Conservancy

### 1. Sierra Nevada Conservancy Start Up

**Governor’s Budget.** The administration has proposed \$3.6 million for start-up activities for the Sierra Nevada Conservancy (\$3.4 million ELPF and \$200,000 Reimbursements). The administration indicates that the primary activities proposed for the conservancy in 2005-06 are program guideline development and the review of grant projects to be funded by the Secretary of Resources.

Approximately \$2.6 million is proposed for operating expenses and equipment, including \$960,000 for program guideline development and \$629,000 for communications and data processing. The guideline development funding will be used to employ consultants to provide expert advice regarding existing resource management information, as well as to fund an extensive public workshop process for gaining additional information from each of the six sub-regions. The communications and data processing funding will be used for the development of a website, development of geographic information systems (GIS), and conferencing equipment.

Approximately \$948,000 is proposed for staff costs associated with 20.5 personnel years.

The board of directors of the Sierra Nevada Conservancy is scheduled to meet for the first time in April. Very little has been done to start up the conservancy in the current year aside from naming the board members. The administration has not provided information about how it is funding start up activities in the current year.

**Previous Subcommittee Direction.** At the March 14 meeting of the Subcommittee action was withheld on the Sierra Nevada Conservancy's start-up budget pending additional information on the following:

- Specific cost allocations for tasks related to guideline development.
- Information on how the conservancy and the grant program at the Secretary's office will be coordinated, including specific tasks required by each entity.

**Staff Comments.** Staff finds that the start-up costs for this conservancy are much higher than other conservancies and significantly higher than originally estimated when the legislation creating the conservancy was being considered in the Legislature. The Senate Appropriations Committee analysis from 2004 estimated that start-up costs for the conservancy would be about \$1.7 million. The start-up costs proposed by the budget are nearly twice what were estimated. Staff understands that the conservancy is unique in that it covers a large geographic area. However, it is not clear why nearly \$1 million is needed to fund contracts for guideline development. The majority of these funds will be used to hold various workshops and identify needs around the conservancy. Furthermore, it is not clear that the 13.5 positions proposed for funding in the budget year would be filled in time given that the administration is still in search of an executive director for the conservancy.

**Staff Recommendation.** Staff recommends that the Subcommittee:

- Reduce the proposed budget for the Sierra Conservancy by \$400,000 to account for delays in hiring new staff and make a marginal reduction in the department's large budget for program development.
- Adopt the following budget bill language:  
Item 3855-001-0140.  
Provisions:
  1. Of the amount appropriated in this item, \$567,000 for external consulting for program and guideline development and \$586,000 for equipment are limited to terms of two years and one year, respectively.

## 3860 Department of Water Resources

### 1. *Paterno* Lawsuit Settlement

**Governor's Budget.** The Governor's proposed budget includes a proposal to finance the pending settlement of the *Paterno* lawsuit by issuing a judgment bond in the budget year.

**April 1 Finance Letter.** The April Finance letter includes a proposal to provide \$11 million in General Fund monies to pay the settlement related to damage to the Peach Tree Mall facility.

**April 25 Finance Letter.** A Finance letter dated April 25 includes proposals to finance the remaining *Paterno* lawsuit. The proposal includes the following components in addition to the \$11 million proposed in the April 1 Finance letter:

- **Arkwright-Boston Manufacturers Mutual Insurance Company.** The letter proposes to provide \$25 million General Fund to settle with tenants of the Peach Tree Mall.
- **Livaich et al.** The letter proposes to provide \$67.1 million General Fund to pay the first payment of a \$428 million settlement with over 3,000 other plaintiffs in the *Paterno* lawsuit. The plaintiffs have agreed to take an upfront payment from the firm of Merrill Lynch and Company. The state would then finance the settlement with Merrill Lynch over the next ten years with annual appropriations in the budget act.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the administration's proposal to fund the *Paterno* lawsuit.

## 2. Flood Management in Crisis

**Background.** Flood management encompasses both structural flood control projects (levees, weirs, etc.) and floodplain management (land use decisions in floodplains). As the state has become increasingly urbanized, flood management has emerged as a critical and integral part of our infrastructure across the state from the Santa Clara Valley to the Los Angeles River. This continues today as areas of the state that were formerly agricultural, mainly in the Central Valley, develop sizeable suburban communities.

Many of these new communities are being built behind levees and flood control structures that are old and badly in need of repair, and which were never designed to protect homes. Upgrading these structures is costly and the state bears a large share of the costs (as much as 70 percent of the non-federal share). This has been further exacerbated by the *Paterno* decision which found the state solely liable for damages caused by a failed levee in the Central Valley. Despite these mounting state costs, the state has generally reduced its expenditures on floodplain management activities and routine maintenance of the state's aging flood infrastructure over the last several years. This has resulted in the current flood management crisis in California.

**Previous Subcommittee Direction.** At the April 25 meeting of the Subcommittee the Governor's budget change proposals and April Finance letter proposals for flood management were approved. Staff, LAO, DOF, and the department were also directed to work on trailer bill language that would prohibit planning agencies from approving a development unless the local agency can identify sufficient flood protection to protect new residential developments.

**Staff Comments.** Staff has developed trailer bill language that would require new subdivisions to have adequate flood protection before they are approved. This language has been shared with the administration.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt the following trailer bill language:

Add the following provision to the Government Code:

(a) On and after January 1, 2007, a city, county, or city and county shall not approve a subdivision map that includes a residential use where the property is protected by a flood control levee unless:

(1) the first habitable floor of the residential use is at least one foot above the maximum flood level that would result if the levee failed in a reasonably foreseeable flood event based on substantial evidence in the written record, or

(2) the levee provides, based on substantial evidence in the written record, the following levels of flood protection against a reasonably foreseeable flood:

- (i) not less than one percent probability of flooding of the residential use in any one year for a subdivision approved before January 1, 2008
- (ii) not less than 0.75 percent probability of flooding in any one year for a subdivision approved on and after January 1, 2008 and before January 1, 2012
- (iii) not less than 0.50 percent probability of flooding in any one year for a subdivision approved after January 1, 2012.



## SUBCOMMITTEE NO. 2

## Agenda

Sheila Kuehl, Chair  
Bob Dutton  
Alan Lowenthal



Wednesday, May 18, 2005  
9:00 a.m.  
Room 2040

### Agenda (Part 1 of 2)

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### Resources—Environmental Protection—Energy

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

## 0540 Secretary for Resources

### 1. Local Projects

**Background.** Staff has been informed that funds from approximately 40 grants provided to counties to mitigate impacts of offshore oil/gas development and to improve coastal resources will not be expended before the end of the current year. In addition, all the funds related to a river parkway project will not be expended prior to the end of the current year and require reappropriation to make them available for expenditure in the budget year.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the following budget bill language to extend the liquidation period for these funds:

0540-361 -- Extension of liquidation period, Resources Agency.  
Notwithstanding any other provision of law, funds appropriated in the following citations shall be available for liquidation until June 30, 2006: 0540-Coastal Resources Grant Program.

0540-490  
6015—River Protection Subaccount  
Notwithstanding any other provision of law, the period to liquidate encumbrances for the the Maywood Riverfront Park from the following citation is extended to June 30, 2006  
(1) Item 0540-101-6015(a), Budget Act of 2000 (Ch. 52, Stats. 2000).

## 3360 California Energy Commission

### 1. PIER Program

**Background.** The Public Interest Energy Research Development and Demonstration (PIER) program provides grant funds to public and private entities for research, development, and demonstration of electricity-related technologies. Recent legislation directed CEC to establish an independent review panel to evaluate the PIER program. The PIER program is scheduled to sunset in 2011.

**Previous Subcommittee Direction.** At the April 18 meeting of the Subcommittee, staff was directed to develop trailer bill language that requires the commission to develop a long-term workload and staffing plan for the PIER program. Staff adopted trailer bill language to develop a long-term workload and staffing plan for the PIER program at the May 17 meeting of the Subcommittee. The issue of shifting some portion of the PIER funds to the Air Resources Board for energy-related research on technologies that reduce the environmental impact of the state's energy infrastructure was held open.

**Staff Recommendation.** Staff recommends that the Subcommittee take the following actions:

- Allocate \$7.5 million in natural gas PIER funds for air quality and energy related research that is expended pursuant to a plan jointly approved by CEC and the Air Resources Board and allocate 50 percent of the funds in any future years from natural gas PIER funds in a similar fashion.
- Adopt clarifying trailer bill language that PIER funds can be used for transportation-related energy research

## 3600 Department of Fish and Game

### 1. Chronic Funding-Related Problems at the Department

**Background.** The department has admitted that the funding base has not been changed to match the changes in the department's responsibilities and mission. Many of the new responsibilities under CEQA and other legislation were added to the department's responsibilities without adequate funding to implement and manage the new mandates. This under-funding of the department has been compounded by declining hunting and fishing revenues and increasing pressure on fish and wildlife habitats from human population growth.

This flawed funding structure has caused the department to shift resources away from basic fish and wildlife monitoring activities, data analysis, and land management, to the review of development and resource extraction projects that have potential impacts on fish and wildlife resources. The department has indicated that, over time, in the absence of adequate funding, this shift in resources has caused a degradation of the information on fish and wildlife and a backlog of environmental improvement work on department lands.

**LAO Finds Fish and Game Preservation Fund Proposal Contrary to Current Law.** The LAO has found that DFG has been overspending certain nondedicated accounts within the Fish and Game Preservation Fund for several years. DFG has utilized reserves from dedicated accounts within the Fish and Game Preservation Fund to make up the shortfalls. Expending dedicated revenues on activities other than those specified in statute is contrary to current law. The LAO finds that the 2005-06 budget proposal includes the expenditure of \$11 million from dedicated accounts for purposes other than those specified in statute.

**Previous Subcommittee Direction.** At the April 11 meeting of the Subcommittee the administration was directed to resubmit its budget proposal for the Fish and Game Preservation Fund. The new proposal was directed to be consistent with current law or to suggest statutory changes, if needed.

**May Revision.** The Governor proposes to make two adjustments to partially adjust the Fish and Game Preservation Fund so that it is consistent with current law. First, the administration proposes to reflect \$1.7 million in additional revenues to the Streambed Alteration Account to reflect increased Streambed Alteration Permit fees currently under development at the department that are set to be implemented in September. Second, the administration proposes to reduce across the board all of the programs funded by the non-dedicated funds in the Fish and Game Preservation Account by \$1.1 million.

These two actions reduce the imbalance among the various accounts by about \$1.7 million, which is over \$700,000 more than cited by the May Revision. The administration indicates that it proposes to address the remainder of the imbalances among the various accounts in the 2006-07 budget. Other dedicated accounts other than the Streambed Alteration Account have shortfalls, but the administration's proposal does not address these shortfalls.

**LAO Recommendation.** The LAO finds that the May Revision proposal has taken some steps to balance the Fish and Game Preservation Fund, but that the proposal does not balance the fund. The LAO recommends that the Legislature take further action in addition to adopting the May Revision proposals to balance the fund. These further actions include reducing expenditures in the Fish and Game Preservation Fund by \$1.123 million (largely by a technical adjustment of reducing the budgeted expenditures in various subaccounts to more accurately reflect planned expenditures as indicated by DFG) and increasing revenues (either through fees or other revenue sources). The LAO's recommendations are outlined in the following table:

<b>Fish and Game Preservation Fund Subaccounts - not in balance</b> (2005-06 expenditures exceed revenues with no carry-over balance)	<b>Increase Revenues (Fees or other source)</b>	<b>Reduce Expenditure Authority</b>	<b>Total Actions</b>
Herring Research and Management, 0200-17	\$51	\$90	\$141
Big Horn Sheep, 0200-11	\$36	\$130	\$166
Lake/Streambed, 0200-14			
Commercial Salmon Stamp, 0200-05	Consider increase of \$39,000 to cover reduced item; if not, reduce expenditure authority		\$39
Aquaculture, 0200-13	\$35	\$40	\$75
Ocean Resources Enhancement Hatchery, 0200-04	\$462	\$100	\$562
Commercial Augmented Salmon Stamp, 0200-06		\$702	\$702
Nondedicated		\$61	\$61
<b>Total Shortfall</b>	<b>\$633</b>	<b>\$1,123</b>	<b>\$1,746</b>

**Staff Recommendation.** Staff recommends that the Subcommittee adopt the following adjustments to the Fish and Game Preservation Fund so that it is consistent with current law in the short term:

- Adopt the Governor's proposed May Revision amendments to the Fish and Game Preservation Fund.
- Adopt the LAO's proposed reductions in expenditure authority.
- Adopt budget bill language to direct DFG to raise fees to cover shortfalls identified in subaccounts identified by the LAO.

Staff recommends that the Subcommittee take the following actions to address long-term problems associated with the Fish and Game Preservation Fund and the overall ability of the department to meet its statutory mandates:

- Adopt supplemental report language (drafted by the LAO) that requires the department to report to the Legislature on corrective actions taken to balance the Fish and Game Preservation Account, including all of its subaccounts.
- Make a one-time augmentation to DFG's budget of \$200,000 General Fund to fund an independent contractor to assist DFG in re-evaluating and re-engineering its accounting systems to improve the accountability of the system so that activities are charged to the correct funds.
- Adopt supplemental report language (drafted by the LAO) that requires the department to report to the Legislature on its activities, funding sources, and outcomes to better determine which activities and statutory directions the department is fulfilling.

Furthermore, staff recommends that the Subcommittee adopt the following reforms to improve the funding base for the department:

- Adopt trailer bill language to implement landing fee reform. Commercial fishing programs at DFG are funded by landing fees. Currently, a few species, such as salmon, are taxed at a fairly high amount, but for most others the amount is almost negligible, even for many high value stocks. Landing fee reform would consist of creating a broad based Special Fund for all commercial fishing programs funded by an ad valorem fee assessed on the value of the fish landed. This reform could generate approximately \$6 million in additional revenues to support commercial fishing programs.
- Adopt trailer bill language to reform and increase collection of California Environmental Quality Act fees (commonly referred to as 3158 fees). This reform would overhaul the fee structure and collection practices so that projects are not improperly exempted from CEQA and to ensure that fees are charged projects according to size, complexity and environmental impact of the project. Reforms would also allow counties (who collect the fees on behalf of the state) to increase their handling fee to reflect the true handling costs (current law caps these charges).

Finally, staff recommends that the Subcommittee take the following actions to augment the department's base budget by \$7.7 million General Fund to improve enforcement of the state's environmental laws as envisioned by the Governor's Environmental Action Plan.

- Augment by \$5 million General Fund (ongoing) to fund 40 new warden positions, including the following budget bill language:

*Provision 1:*

*It is the intent of the legislature that these funds be provided for the hiring of additional game wardens in order to ensure that California's natural environment is protected through tough enforcement of existing laws.*

- Trailer bill language shall also be adopted that directs the department to address current game warden recruitment problems resulting from low salary levels.
- Augment by \$1 million General Fund (ongoing) to fund 7 new positions to restore the Native Trout program to its 1980 levels, including the following budget bill language:

*Provision 1:*

*It is the intent of the legislature that these funds be provided for the purposes of protecting and preserving California's wild and heritage trout populations.*

- Augment by \$1.7 million General Fund (ongoing) to fund 15 new positions to restore statewide review of timber harvest plans, including the following budget bill language:

*Provision 1:*

*It is the intent of the legislature that these funds be provided for hiring of Fish and Game staff to review timber harvest plans in order to ensure that California's natural environment is protected through tough enforcement of existing laws.*

## 2. Maximizing Federal Fisheries Restoration Grant Funds

**Background.** Since 1981, DFG has provided grant funds through the Fisheries Restoration Grant Program (FRGP) to landowners, public agencies (including DFG), and nonprofit groups to restore salmon and steelhead populations through improved habitat. The program funds a variety of different activities including education projects, on-the-ground restoration work, and field surveys by DFG.

About \$13 million in federal funds have been provided annually over the last several years for this purpose. However, in order to leverage federal funds, the state is required to provide a 25 percent match.

**Governor's Budget.** The department has indicated that approximately \$12 million in federal funds are available for grants from the Fisheries Restoration Grant Program in the budget year. However, it is not clear how the administration is leveraging these funds with the 25 percent required state match. Failure to provide matching funds would result in a loss of federal funds for fisheries restoration grants.

**Previous Subcommittee Direction.** At the April 11 meeting of the Subcommittee, action was withheld on the department's federal funds budget pending additional information regarding how the department plans to match available federal funds in the budget year.

**Department Response.** The department indicates that it needs \$4 million in state funds to leverage the maximum available federal fisheries restoration grant dollars for the budget year. The department indicates that it is using the following funding mix to leverage the federal funds:

- \$1.4 million from the department's General Fund, Environmental License Plate Fund and Fish and Game Preservation Fund allocations.
- \$2.5 million is estimated to be available through a reimbursement contract with the Wildlife Conservation Board.
- \$500,000 is also being pursued with the State Coastal Conservancy.

**Staff Comments.** Staff finds that the Governor's proposal to fund this program is about \$4 million less than it has been funded over the past several years. This is primarily due to the

liquidation of remaining bond funds and the suspension of current law that allocates tidelands oil revenues to salmon and steelhead recovery.

**Staff Recommendation.** Staff recommends that the Subcommittee augment the department's budget by \$8 million from tidelands oil revenues for salmon and steelhead restoration in the budget year. (See State Lands Commission item for conforming amendment.)

### 3. Office of Spill Prevention and Response

**Governor's Budget.** The Governor's budget provides \$31 million to support this program in the budget year. This is approximately \$2 million less than is provided in the current year due to a reduction in reimbursements.

The Governor's budget proposes to increase funding by \$8,000 from the Oil Spill Response Administration Fund to support equipment and training for a pipeline spill response team within the Inland Program of OSPR. The team will identify and locate pipelines that could pose major threats to the California environment and work to mitigate pipeline oil spills when they occur.

**Previous Subcommittee Direction.** At the April 11 meeting of the Subcommittee, action was withheld on the budget for the Office of Spill Prevention and Response and the department was directed to provide additional information on what it is doing to respond to DOF's recent audit on the program.

**Department Response.** The department has provided staff with information that addresses the following issues raised by the DOF audit:

- **Distributed Administration Charges High.** The DFG indicates that distributed administration charges related to the OSPR program are similar to distributed administration charges for other funds managed by the department. The DFG indicates that it is continuing to review its overhead methodology with DOF to see if any adjustments are possible.
- **Charges on Habitat Remediation Projects High.** The DFG indicates that it is following current state administrative process in setting its distributed administration charges on monies on deposit in funds managed by the department. The DFG indicates that it is continuing to review its overhead methodology with DOF to see if any adjustments are possible.
- **OSPR Fund Balance.** The DFG has indicated that the actual balance for the OSPR fund is only \$8 million. This is significantly lower than the balance suggested by the audit due to a one-time revenue increase that is not projected to be sustained in the budget year.

**Staff Recommendation.** Staff recommends that the Subcommittee approve this proposal as budgeted.

## 4. Marine Life Protection Act

**Governor's Budget.** The Governor's budget proposes \$500,000 from the Environmental License Plate Fund to support MLPA implementation in the budget year. This is the same level of funding that is estimated to be expended in the current year by the state. However, this funding is leveraging over \$2 million in private foundation expenditures.

**Previous Subcommittee Direction.** At the April 11 meeting of the Subcommittee action was withheld on the Marine Life Protection Act pending receipt and review of the draft framework document from the taskforce.

**Department Response.** The department has indicated that 2005-06 Marine Life Protection Act activities will be focused solely on processes to complete the master plan and support Central Coast working groups that will be drafting the plan for a pilot project in marine protected areas. The department indicates that implementation of the Act does not begin until after the reserves have been established, which will not be until 2006-07.

**Staff Recommendation.** Staff recommends approving this proposal as budgeted.

## 5. Yuba Feather Flood Protection Program

**Background.** The Yuba Feather Flood Protection Program was created in the Proposition 13 bond fund to address the serious threat to life and property along the Yuba/Feather River system. The bond allocated \$90 million for this program, \$70 million to the Department of Water Resources (DWR), and \$20 million to the Department of Fish and Game (DFG) for environment and wildlife mitigation projects. Approximately \$2.6 million of the \$70 million being implemented by DWR was set aside to reimburse local entities in Sutter County for their local share of cost-shared projects. The DWR has allocated approximately \$18 million of the funds to flood control projects as part of the Yuba Feather Flood Protection Program.

**Previous Subcommittee Direction.** At the April 25 meeting of the Subcommittee action was taken to approve \$34.9 million in Proposition 13 bond funds for DWR to continue implementation of the Yuba Feather Flood Protection program, including acceleration of proposed levee improvements for the Three Rivers Levee Improvement Authority. (The Three River levee improvements facilitate the construction of the controversial Plumas Lakes housing development.)

**April Finance Letter.** The Governor has submitted an April Finance letter requesting the allocation of \$11.6 million in Proposition 13 bond funds to implement environmental enhancement and mitigation measures related to the Yuba Feather Flood Protection Program. These funds will be used to fund the Feather River Levee Setback Project. The department is proposing to retain approximately \$347,000 of the funds to assure that specific environmental enhancement and mitigation measures will be incorporated in the design of the projects.

The department indicates that the set-aside funds will contribute to distributed administration and will fund management of contracts with the Yuba County Water Agency, Yuba County, and at



least one reclamation district to fund projects. The Department of Fish and Game has to approve specific projects before funding is provided.

**Staff Recommendation.** Staff recommends that the Subcommittee approve this proposal.

## 3790 Department of Parks and Recreation

### 1. Local Projects

**Background.** Staff has been informed that there are a number of park projects whose funds will not be encumbered prior to the end of the current fiscal year.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt the following budget bill language to reappropriate the funds provided for this project in 2000.

3790-491 --- Reappropriation, Department of Parks and Recreation. The balance of the appropriation provided in the following citation is reappropriated for the purposes provided in the appropriation, and shall be available for encumbrance or expenditure until June 30, 2008:

0001 – General Fund

Item 3790-101-0001, Budget Act of 2000 (Ch. 52, Stats. 2000)

80.25 Recreational Grants

(184) Mendoncino Coast Recreation Park District: Fort Bragg Aquatic Center

3790-493—Reappropriation, Department of Parks and Recreation.

Notwithstanding any other provision of law, the period to liquidate the encumbrance of the following citation, subject to the following limitation, is extended to June 30, 2006.

0262—Habitat Conservation Fund

(1) Item 3790-101-0262 (1), Budget Act of 1999 (Ch. 50, Stats. of 1999), 80.25.001-Local Grants-Habitat Conservation Fund Program; provided that this reappropriation is limited to the \$325,000 grant to the Mid-Peninsula Regional Open Space District.

### 2. Staffing Augmentation and Deferred Maintenance

**Background.** As discussed at several times during the Subcommittee process this year the Department of Parks and Recreation has faced repeated General Fund reductions that have resulted in concerns about the ability of the department to provide adequate public access to its park facilities. Staff finds that the Subcommittee has raised many concerns regarding the

magnitude of the increase in park fees over the past several years without any real enhancements in the service provided to the public at its park facilities.

**Previous Subcommittee Direction.** At the May 17 meeting of the Subcommittee, staff augmented the department's budget by \$3 million for deferred maintenance activities.

**Staff Recommendation.** Staff recommends that the Subcommittee rescind the May 17 budget action related to additional funding for deferred maintenance and substitute an alternate recommendation. The alternate staff recommendation is to augment the state budget by \$8 million from tidelands oil revenues to establish up to 40 new park positions and for deferred maintenance activities. It is the intention of the Legislature that this augmentation be an ongoing augmentation. (See State Lands Commission item for conforming amendment.)

### 3. Hearst Acquisition Staffing

**Governor's Budget.** The budget includes \$1.3 million from the General Fund and 7 new positions to support the initial phase of management and operation of the state-owned properties, as well as terms and conditions of the conservation easement related to San Simeon Point, Ragged Point, and Pico Cove.

**Previous Subcommittee Direction.** At the April 18 meeting of the Subcommittee, action was withheld on the staffing for the Hearst acquisition pending receipt of additional information from the department regarding other recent park acquisitions and the staffing needs at other parks for start-up operations. Further discussion was had at the May 17 meeting of the Subcommittee and this item was held open.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the proposal as budgeted.

## 3560 State Lands Commission

### 1. Tidelands Oil Revenues

**Background.** During the 2004 budget negotiations, staff found that the administration's estimates for tidelands oil revenues were far below what was anticipated due to higher than expected oil prices. The Governor proposed to sweep all of the tidelands oil revenues into the General Fund instead of allocating these funds to the resource priorities set in statute. The Legislature enacted a compromise position that shifted some money to the General Fund, but shifted additional revenues to other resource priorities. The 2004-05 budget allocated tidelands oil revenues in the following order:

- \$500,000 to the Marine Life Protection Act;
- \$165 million to the General Fund;
- \$10 million to ocean projects and \$2.7 million to parks projects in the City of Los Angeles;

- \$6.5 million for salmon and steelhead restoration;
- \$1.5 million for environmental review of stream flow requirements on mid-California coastal streams; and
- \$4 million for fish hatchery operations.

**Previous Subcommittee Direction.** At the March 14 meeting of the Subcommittee, budget bill language was adopted to extend the liquidation period for appropriations of tidelands oil revenues made in the 2004-05 budget.

At the May 9 meeting of the Subcommittee, further action was withheld on the allocation of tidelands oil revenues for the budget year, including making statutory changes to extend current allocations until after the May Revision. Staff also recommends that the Subcommittee direct staff to evaluate impacts of enacting legislation that would halt the City of Long Beach's deductions, including impacts on the City of Long Beach.

**May Revision.** The May Revision estimates that the state's Tideland Oil revenues will be \$47.3 million lower in the current year than anticipated in the 2004 budget and \$48 million lower in the budget year. The budget year reduction results in a negative impact on General Fund revenues in the budget year since the Governor proposed to sweep these revenues into the General Fund. The administration does not propose statutory changes that would restrict Long Beach from redirecting state Tidelands Oil revenues to an abandonment account.

**Revenue Update.** The May Revision does not impact what activities will be funded in the current year. Thus far, tidelands oil revenues that have been received have covered only the \$500,000 for the Marine Life Protection Act and \$140 million to the General Fund. The other allocations have not been made because sufficient revenues have not been received. The Commission estimates that \$5-8 million may be available to fund ocean projects and park projects in the City of Los Angeles. However, no other allocations will be likely.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt revised budget bill language to amend the item that sweeps tidelands oil revenues into the General Fund in the budget year. This item is found under the Wildlife Conservation Board. Recommended budget bill language should be revised accordingly:

*3640-401—Notwithstanding any other provision of law, revenues that would have been deposited in the Resources Trust Fund pursuant to Section 6217 of the Public Resources Code shall be allocated in the following order:*

*(1) \$8,000,000 shall be deposited into the State Parks and Recreation fund for the Department of Parks and Recreation Maintenance and Park Ranger staff and deferred maintenance. It is the intent of the Legislature that this augmentation be used to establish up to 40 new parks positions. These funds are intended to be ongoing.*

*(2) \$8,000,000 shall be deposited into the Salmon and Steelhead Trout Restoration Account for salmon and steelhead trout restoration projects authorized by Section 6217.1 of the Public Resources Code, including, but not limited to, projects that implement the Coho Salmon Recovery Plan.*

*(3) Any revenues remaining after expenditure for the purposes specified in paragraph (1) shall be deposited in the General Fund.*

## 3860 Department of Water Resources

### 1. All-American Canal Lining

**Governor's Budget.** The budget includes \$59 million in General Fund monies to reimburse local water districts for costs associated with lining the All-American Canal.

**Previous Subcommittee Direction.** At the April 25 meeting of the Subcommittee action was withheld on funding for the lining of the All-American Canal. The department was directed to provide a more refined estimate of those funds actually needed in the budget year to reimburse local agencies for the activities to be funded by the Colorado River Management Account.

**Department Response.** The department indicates that all of the funds allocated for the lining of the All-American Canal will be needed in the budget year. However, staff finds that it is likely that a portion of the funds will not be needed due to delays in moving the projects forward.

**Staff Recommendation.** Staff recommends that the Subcommittee reduce the General Fund appropriated to fund the lining of the All-American Canal by \$5 million.

### 2. Extension of Liquidation Period—Proposition 13 Bond Funds

**May Revision.** The May Revision proposes to extend the liquidation period for various Proposition 13 bond funds. The specific amendments proposed include the following:

- **River Protection Subaccount.** The May Revision proposes to extend the liquidation period for the following three Proposition 13 bond funded projects from 2000-01:
  - **San Joaquin River Parkway and Restoration.** \$5.3 million is proposed for extension due to unresolved issues related to the final land acquisition being made by the Wildlife Conservation Board for the parkway.
  - **Kern River Restoration Project.** \$103,329 is proposed for extension due to design delays and project site conditions.
  - **Nature Conservancy Sacramento River Project.** \$2 million is proposed for extension due to delays in negotiating acquisition projects.
- **Water Conservation Account.** The May Revision proposes to extend the liquidation period for the following three Proposition 13 bond funded programs from 2000-01:
  - **Groundwater Recharge Program.** \$232,637 is proposed for extension to complete construction loan contracts and feasibility studies.
  - **Urban Water Conservation Grant Program.** \$117,226 is proposed for extension to complete construction grant contracts under this program.

- **Agricultural Water Conservation Program.** \$32,058 is proposed for extension to complete construction grant contracts and feasibility studies under this program.

The May Revision also proposes to extend the liquidation period for the following three Proposition 13 bond funded programs from 2002-03:

- **Infrastructure Rehabilitation Program.** \$10.4 million is proposed for extension to complete construction projects and feasibility studies for projects in economically disadvantaged communities.
  - **Agricultural Water Conservation Program.** \$43,000 is proposed for extension to complete construction grant contracts and feasibility studies under this program.
  - **Urban Water Conservation Grant Program.** \$15.6 million is proposed for extension to complete construction grant contracts to improve water use efficiency.
- **Conjunctive Use Subaccount.** The May Revision proposes to extend the liquidation period for \$4.6 million in Proposition 13 bond funds from 2000-01 and \$2.2 million in Proposition 13 bond funds from 2002-03 for construction grant contracts and feasibility studies under the Groundwater Storage Program.
  - **Interim Water Supply and Water Quality Infrastructure and Management Subaccount.** The May Revision proposes to extend the liquidation period for \$2.4 million in Proposition 13 bond funds from 2002-03 to complete a contract with Santa Clara Valley Water District on the San Luis By-Pass project for the Interim Water Supply and Water Quality Infrastructure and Management Program.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the proposed May Revision proposal to extend liquidation of various bond funds.

### 3. Reversion of Proposition 13 Bond Funds

**May Revision.** The May Revision proposes to revert Proposition 13 bond funds that have not been expended. These funds are being reverted because they were found to not be needed for the projects that they were originally appropriated to fund. These funds are now available for future expenditure on new projects.

<b>Program/Account</b>	<b>Amount</b>	<b>Fund Source</b>	<b>Year Appropriated</b>
Water Conservation Account (local assistance)	29,907	Prop 13	2000-01
Water Conservation Account (state operations)	104	Prop 13	2001-02
Water Conservation Account (local assistance)	13,887	Prop 13	2001-02
Water Conservation Account (local assistance)	14,526	Prop 13	2002-03
Water Conservation Account (state operations)	23	Prop 13	2003-04
Water Conservation Account (local assistance)	8,970	Prop 13	2003-04
<b>Total Water Conservation Account</b>	<b>\$67,416</b>		

<b>Program/Account</b>	<b>Amount</b>	<b>Fund Source</b>	<b>Year Appropriated</b>
Conjunctive Use Subaccount	0.1	Prop 13	2000-01
Conjunctive Use Subaccount	76,537	Prop 13	2002-03
Conjunctive Use Subaccount	218	Prop 13	2003-04
<b>Total Conjunctive Use Subaccount</b>	<b>\$76,755</b>		

<b>Program/Account</b>	<b>Amount</b>	<b>Fund Source</b>	<b>Year Appropriated</b>
Interim Water Supply and Water Quality Infrastructure	1,999	Prop 13	2002-03
Interim Water Supply and Water Quality Infrastructure	194	Prop 13	2003-04
<b>Total Interim Water Supply and Water Quality</b>	<b>\$2,193</b>		

**Staff Recommendation.** Staff recommends that the Subcommittee approve the reversion of the Proposition 13 bond funds.

#### 4. San Joaquin River Restoration Project

**Governor's April Finance Letter.** The April Finance letter proposed to revert the remaining \$9.2 million in Proposition 13 bond funds that were appropriated in 2000 and awarded to FWUA to develop a restoration plan for the river. The DWR also proposed to expend \$1.8 million of the Proposition 13 bond funds being reverted to support two positions and manage contracts to complete the studies started in 2000.

**Previous Subcommittee Direction.** At the April 25 meeting of the Subcommittee, action was taken to revert \$9.2 million in Proposition 13 bond funds that were on deposit at the FWUA. The Subcommittee also rejected the April letter proposal to expend \$1.8 million to continue to fund the restoration study since the court-ordered plan for restoration is still being developed. Furthermore the department was directed to report on what other funds need to be reverted from the FWUA and what steps DWR has put in place to avoid potential arbitrage situations.

**Department Response.** The department has provided additional information regarding the funds on deposit with FWUA. Staff understands that the remaining funds on deposit with FWUA are to be returned as soon as possible. The department has provided staff with additional information regarding the legal arrangements and disposition of the bond fund money that was on deposit at FWUA and staff no longer has concerns regarding potential arbitrage issues.

Since the action taken at the Subcommittee on April 25, the department has submitted an alternative proposal for funding San Joaquin River restoration activities in the budget year. The department now proposes to focus approximately \$1 million in the budget year on water quality, fish passage, and habitat restoration activities. However, staff continues to have concerns regarding what the department would actually be doing with these funds in the budget year. The information provided by the department does not include sufficient specifics on the activities it would undertake.

Furthermore, legislation is currently moving through the policy process that would better define plans and activities to be undertaken for restoration of the San Joaquin River. Staff finds that funds could be included in legislation if needed in the budget year.

**Staff Recommendation.** Staff does not recommend any changes to the previous Subcommittee action on this item at this time.

## 3910 Integrated Waste Management Board

### 1. Implementation of Electronic Waste Recycling Program

**Governor's Budget.** The administration proposes converting 6 limited-term positions to permanent positions funded by \$476,000 from the E-Waste fund. The total funding proposed for administration of the E-Waste program at the Waste Board is \$1.4 million.

Total administrative costs associated with the E-Waste program are \$8.2 million. This accounts for about 12 percent of the total E-Waste program total revenues. Administrative costs are allocated in the following way:

- Board of Equalization - \$5.7 million
- Waste Board - \$1.4 million
- Department of Toxic Substance Control - \$651,000
- Department of Finance - \$500,000

**Previous Subcommittee Direction.** At the April 4 meeting of the Subcommittee action was taken to approve the Waste Board's request associated with ongoing support of the E-Waste program and staff were directed to coordinate with Budget Subcommittee No. 4 on the evaluation of BOE's proposal.

**Staff Comments.** The BOE communicated to staff that it would put forward a lower, revised E-Waste budget in the May Revision. The BOE did not submit a revision. Staff will continue to coordinate with Subcommittee No. 4 to ensure that a reduced BOE administrative budget that better reflects the funding it actually needs in the budget year is adopted.

Furthermore, in a meeting with BOE staff found that funding BOE's activities through a reimbursable contract with the Waste Board would be acceptable in future budget years. This would be a preferable arrangement since it would require BOE to be accountable to the Waste Board, which is the lead agency on implementing the E-Waste law.

**Staff Recommendation.** Staff recommends that the Subcommittee request that Subcommittee No. 4 include the following budget bill language in BOE's E-Waste item:

- It is the intent of the Legislature that the 2006-07 budget be prepared to include BOE's support budget for the E-Waste program through a reimbursable contract with the Integrated Waste Management Board.

## 2. Environmental Education Program

**Background.** The Education and Environment Initiative was created by Chapter 665, Statutes of 2003 (AB 1548, Pavley), which mandated school boards to include environmental principles in their instructional materials. Thus far, the administration has completed the first two phases of the Education and Environment Initiative, which includes the development of environmental principles and concepts and the alignment of the environmental principles and concepts to the California Academic Content Standards.

**Governor's Budget.** The administration requests \$3.5 million (\$3.3 million from the Integrated Waste Management Account and \$200,000 from the Waste Discharge Permit Fund) and 5.5 permanent positions to implement the next two phases of the Education and Environment Initiative.

**Previous Subcommittee Meeting.** At the March 14 meeting of this Subcommittee, staff was directed to work with the LAO, DOF and the Office of the Secretary at Cal-EPA to develop options for funding this activity from more diversified funding sources.

**April Finance Letter.** The letter proposes budget bill language that would condition the expenditure of funds for the Education and Environment Initiative on the implementation of legislation that does the following:

- Eliminates the mandate imposed on governing boards to include specific environmental education materials as part of the adopted instructional materials.
- Clarifies the roles of the implementing agencies in the development of the textbook criteria and material.
- Adds language to the Water Code to clarify that dischargers can contribute funds to the Environmental Education Account.
- Adds language to allow state agencies who develop, or encourage the development of, environmental education materials to contribute to the Environmental Education Account.



**Mandate Issue.** The administration's proposed budget bill language requires that legislation be enacted that eliminates the mandate requirements of the Education and Environment Initiative prior to expenditure of funds on this activity. Issues related to this mandate were raised in 2004 and legislation was put forward to eliminate the mandate. This legislation (AB 1696, Pavley) was vetoed by the Governor finding that the bill was beyond the scope of the clean up required to eliminate the mandate. Currently, AB 1721 (Pavley) contains language that would address this issue.

**Staff Recommendation.** Staff recommends that the Subcommittee:

- Adopt supplemental report language that requires the Office of the Secretary for Cal-EPA to put forward a more balanced approach to funding this program.
- Adopt the following budget bill language amendments that would ensure that legislation be enacted to address issues related to the mandate established by the legislation and other issues related to this program. The budget bill amendments include the following:

Delete Provision 1 of Item 3910-001-0193 and Provision 3 of Item 3910-001-0387 and insert the following language:

*Item 3910-001-0193:*

*Provision 1:*

*Of the amount appropriated by this item, \$200,000 shall be available to support development of the Education and Environment Initiative. The funds shall become available no sooner than the chaptering of AB 1721 of 2005.*

*Item 3910-001-0387:*

*Provision 3:*

*Of the amount appropriated by this item, \$3,300,000 shall be available to support development of the Education and Environment Initiative. The funds shall become available no sooner than the chaptering of AB 1721 of 2005.*

## 3930 Department of Pesticide Regulation

### 1. Undercollection of Mill Assessment

**Background.** California assesses a fee on all pesticides (agricultural and nonagricultural) at the point of first sale in the state. This fee is paid either by the pesticide manufacturer, distributor, or retailer. The current mill assessment rate is 21 mills (2.1 cents per dollar of sales). Mill assessment revenues are the major source of funding for the state's pesticide regulatory program.

The administration is sponsoring legislation (AB 1011, Matthews) that would require all sellers of pesticide products labeled for use in the home and other nonagricultural settings (consumer pesticides) to be subject to licensing requirements.

**Previous Subcommittee Direction.** At the April 4 meeting of the Subcommittee, the department was directed to report on its rationale for recommending AB 1011 (Matthews) as the solution to the state's undercollection problem. Also, the administration was directed to provide details on how they plan to implement their recommended solution.

**Department Response.** The staff has met with the department and various stakeholders on this issue. There are widespread concerns regarding the department's ability to successfully collect mill revenues from the "big box" stores that are currently not paying the mill assessment. The complex distribution systems employed by the "big box" retailers make tracking and auditing pesticides sales more complex and difficult. Staff finds that compliance may be enhanced by having a typical collection-type agency collect this fee from the retailers. Tax collecting agencies like BOE are accustomed to this type of work and have the auditing staff to uncover fraud and undercollection problems. It is not clear that these resources currently exist at the department.

**Staff Recommendation.** Staff recommends that the Subcommittee:

- Adopt trailer bill language to require all entities that are the first to sell pesticides in the state to be subject to licensing requirements and to require that the department contract with BOE for the collection of the mill assessment fee.

## 3980 Office of Environmental Health Hazard Assessment

### 1. Funding Adequacy

**Governor's Budget.** The Governor's budget proposes that the General Fund support approximately 60 percent of OEHHA's activities and special funds support the remaining 40 percent.

**Alternative Funding Sources.** The LAO has identified three funding sources that would be appropriate to support OEHHA's activities in the budget year. These funding sources are directly linked to activities planned at the office in the budget year. The LAO recommends that the Legislature consider the following funding shifts from the General Fund:

- \$1.5 million – for activities related to supporting the Department of Health Services' safe drinking water program from the Safe Drinking Water Account.
- \$800,000 – for activities related to various air quality regulatory programs from the Air Pollution Control Fund.
- \$500,000 – for activities that support fish contamination evaluation and advisories from the Fish and Game Preservation Fund.

The LAO notes that the Air Pollution Control Fund has a balance that could support this transfer. However, the other two funding sources do not have sufficient balances to support this shift without increases in fees or a redirection of monies from other activities.

**Previous Subcommittee Direction.** At the April 4 meeting of the Subcommittee staff, the LAO, and the administration were directed to review the administration's recent report on the budgetary needs of the office to meet its statutory mandates. Staff was also directed to identify alternative funding sources for the office.

**OEHHA's Funding Needs.** The Office submitted to the Legislature a legislatively mandated report of long-term baseline funding requirements in the first part of April. This report identifies a \$6 million funding shortfall as compared to 2005-06 budgeted expenditures for OEHHA to meet its statutory mandates. The report also identified eligible funding sources for supporting OEHHA's statutory mandates. However, the administration does not recommend any augmentations to OEHHA's budget at this time because there are no balances in special funds available to meet OEHHA's funding needs on an ongoing basis without a fee increase.

**Staff Comments.** Staff finds that there are many important activities at OEHHA that are not fully funded. OEHHA's work is critical to a significant amount of the regulatory work done by the state regarding the impacts of our environment on human health.

**Staff Recommendation.** Staff recommends that the Subcommittee:

- Augment \$1 million from the General Fund to establish 5 new positions to fund OEHHA's children's health program and other statutory mandates.
- Augment \$250,000 from the Waste Discharge Permit Fee Fund to establish 2 new positions to address deficiencies in the department's fish health program.
- Augment \$250,000 from the Department of Pesticide Regulation Fund to establish 2 new positions to support the department's pesticide related activities, including work related to the new risk assessment panel approved by the Subcommittee on May 17.

## 8570 California Department of Food and Agriculture

### 1. Mediterranean Fruit Fly Preventative Release Program

**Background.** The Mediterranean Fruit Fly (Medfly) Preventative Release program involves raising sterile Medflies and releasing them within high risk areas of the state (currently a 2,500 square mile area in the L.A. basin). These sterile Medflies mate with any wild fertile female flies that have been introduced into the area and curb the reproduction process.

**Governor's Budget.** The administration proposes to establish the Medfly Preventative Release program as a permanent ongoing program with an \$8.1 million General Fund allocation. These state funds are matched with the same level of funding from the federal government. The administration does not propose any industry assessment to support this program.

**April Finance Letter.** The letter proposes \$84,000 from the General Fund to fund a price increase not included in the Governor's January 10 proposal to permanently fully fund the Mediterranean Fruit Fly Preventative Release Program with the General Fund.

**Previous Subcommittee Meeting.** At the March 14 meeting of this Subcommittee, supplemental report language was adopted that requires CDFA to do a survey of all of the activities and funding of the various commodity specific boards under its jurisdiction. The report should identify similar activities being funded by industry assessments that may be more effectively carried out by centralizing efforts at the department.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt the budget proposal to provide ongoing General Fund support for the Medfly program.

## 2. Pierce's Disease Control Program

**Background.** The Pierce's Disease Control Program is a statewide program to minimize the impacts of Pierce's disease on the state's grape industry. This disease is fatal and incurable to grapevines and is spread by the glassy-winged sharpshooter. The program includes stopping the spread of the sharpshooter, monitoring the state for signs of new infestations, suppressing and eradicating isolated sharpshooter populations, conducting outreach and education, and supporting research to find a long-term solution to this disease.

**Governor's Budget.** The budget includes \$25.8 million to support the Pierce's disease program in the budget year. This is approximately the same level of support as provided in the current budget year. This includes (1) \$4.3 million from the General Fund, (2) \$13.3 million from federal funds, and (3) \$8.2 million from assessments on grape producers.

**Federal Funding Contingency.** Staff has been informed that commitments were made during the authorization of the 2004 federal funding for the Pierce's disease program to allocate \$250,000 on a one-time basis to the U.C. Cooperative Extension in Kern County. These funds will be used to convert warehouse space to laboratory space to accommodate the processing of samples and research experiments that minimize the impacts of Pierce's disease on the grape industry.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt budget bill language to clarify the commitments regarding federal funds provided for the Pierce's disease program in the budget year. The following provision should be added to item 8570-011-0890:

*2. The Secretary of the Department of Food and Agriculture shall authorize a one-time transfer of two hundred and fifty thousand dollars (\$250,000) from the Pierce's Disease Management Account to the University of California's Cooperative Extension Service for use in making improvements to the Kern County Office of U.C. Cooperative Extension.*

### 3. Laboratory System Upgrades

**Governor's Budget.** The budget includes \$1.3 million General Fund to eliminate the current backlog of deferred purchases to replace obsolete equipment and to perform needed maintenance on the state's veterinary diagnostic laboratory system.

**Staff Recommendation.** Staff recommends that the Subcommittee approve this proposal as budgeted.

### 4. Emerging Threats to Food Production

**Governor's Budget.** The administration has proposed \$2.7 million General Fund and 17 positions to support activities to address potential terrorist attacks on the state's food supply, as well as emerging viral diseases that affect both animals and humans. The proposal assumes that this is the first step in the development of a larger program and has indicated that full implementation in 2006-07 could cost an additional \$15.9 million from the General Fund.

**Previous Subcommittee Direction.** At the March 14 meeting of the Subcommittee, the Department of Finance was directed to coordinate its proposals related to terrorism protection and emerging viral diseases and resubmit its proposals. The proposal should maximize non-General Fund resources to the maximum extent possible.

**Staff Comments.** The administration has not provided a revised proposal related to terrorism protection and emerging viral diseases as requested by the Subcommittee in March. Staff finds that the administration is missing an opportunity to increase the cost effectiveness of the state's bioterrorism efforts by this oversight.

**Staff Recommendation.** Staff recommends that the Subcommittee:

- Approve \$500,000 General Fund to establish 5 new positions at the department to initiate a strategic approach to addressing emerging threats to the state's food supply. At least one of these staff should be used to coordinate the department's activities with other state agencies, federal agencies and other groups involved in protecting the state from terrorist attacks and the spread of viral disease.

### 5. Unallocated Reduction

**Background.** The Governor's budget proposes that the department take a \$1.2 million unallocated reduction to its General Fund state operations budget. The Governor's budget also proposes an unallocated reduction of \$597,000 General Fund from its local assistance to County Agricultural Commissioners.

**Staff Recommendation.** Staff recommends that the Subcommittee restore the unallocated reduction to the County Agricultural Commissioners and reduce the department by an additional \$597,000.

## 6. Specialty Crop Grant

**May Revision.** The May Revision proposes to appropriate \$11.6 million in federal specialty crop grant funds received in the current year. Approximately \$3.3 million in federal specialty crop grant funds are in the Governor's January budget for a total of \$14.8 million available for expenditure in the budget year. The \$11.6 million proposed for appropriation in the May Revision were the subject of a Section 28.00 letter that was rejected by the Joint Legislative Budget Committee in the current year. These funds must be expended prior to September 30, 2006 and can be used for a wide variety of activities. The administration proposes to expend these funds in the following manner:

Buy California	\$3.6 million
International markets	\$2.6 million
Grant management/admin	\$2.1 million
Competitive grants	\$2.0 million
Food safety	\$1.5 million
Emergency response	\$1.4 million
Institute for specialty crops	\$0.7 million
Research	\$0.4 million
Sustainable agriculture	\$0.3 million
Other	\$0.1 million

**Staff Comments.** Staff notes that the administration is proposing to use approximately \$3 million for activities that address emerging threats.

**Staff Recommendation.** Staff recommends that the Subcommittee approve this proposal as budgeted.

## 7. Technical Adjustments

**May Revision.** The May Revision contains the following price adjustments to its base budget:

- Increase \$10,000 General Fund and decrease \$20,000 reimbursements associated with lease revenue bond debt service payments for capital outlay projects.
- Decrease \$17,000 General Fund and increase \$17,000 reimbursements to shift funding source for a capital outlay project funded by lease revenue bonds.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the department's technical adjustments.

## 8. Agricultural Cooperative Bargaining Advisory Committee Elimination

**May Revision.** The May Revision proposes trailer bill language that would eliminate the Agricultural Cooperative Bargaining Advisory Committee. This committee protects an agriculture grower's right to organize and bargain with food processors on commodity prices and

delivery terms. This Committee makes recommendations to the Secretary of CDFA on matters related to the state cooperative bargaining association laws.

**Staff Comments.** Staff finds that AB 1061 is currently moving through the Legislature to address the future of this Committee.

**Staff Recommendation.** Staff recommends that the Subcommittee reject this proposal since it is currently being addressed through a bill in the policy process.

## 8660 Public Utilities Commission

### 1. Office of Ratepayer Advocates

**Background.** The Office of Ratepayer Advocates (ORA) was created in 1985 to represent ratepayers in CPUC proceedings. In the mid-1990s, ORA evolved into a quasi-independent entity when the Legislature required that the ORA director receive independent confirmation by the Senate and required a separate line-item budget to be submitted. Until this year, however, the administration has not submitted a line-item budget separate from the primary CPUC budget.

**Previous Subcommittee Direction.** At the April 18 meeting of the Subcommittee, staff, the LAO, DOF, ORA, and CPUC were directed to develop a proposal to provide ORA with additional autonomy over its budgetary and personnel resources and additional funding to augment the role of ORA at the commission.

**Staff Recommendation.** Staff recommends that the Subcommittee:

- Adopt trailer bill language that will clarify ORA's ability to present a budget to the Commission in a public proceeding. Public Utilities Code Section 309.5 already specifies that the CPUC's budgeting process regarding ORA must be made through rule or order, which implies a public process. This language will clarify the extent of ORA's role in this proceeding.
- Adopt trailer bill language that will specify that the director of ORA is provided with the authority to supervise the legal staff assigned to ORA and that general counsel will assign at least 14 attorneys specifically to ORA. The ORA may, of course, choose to use temporarily assigned legal staff to provide specific expertise in individual cases or to address workload peaks. Under this system, ORA legal staff will continue to retain their full civil service status within the PUC and may seek transfers or promotions freely.
- Augment ORA's budget by \$1.2 million from the Utilities Reimbursement Account and restore 12 positions (reduced as part of the 4.10 reductions) in the telecommunications division of ORA.
- Augment ORA's budget by \$1 million from the Utilities Reimbursement Account for telecommunications merger review contracts, pursuant to the SBC/ATT merger, with accelerated contracting schedules (pursuant to PU Code Section 632). The \$1 million will be reimbursable to the state pursuant to PU Code Section 631.

- Adopt trailer bill language that will specify that the ORA's review of the SBC/ATT merger must be completed before a proposed decision can be issued.

## 2. Railroad Safety

**Background.** The Railroad Safety Branch of the Consumer Protection and Safety Division of the CPUC has safety oversight of heavy freight and passenger railroads. The commission conducts rail safety inspections, investigates rail accidents, approves all applications for new construction or modifications to existing highway/rail crossings, and develops new safety initiatives based on inspection and investigative activities.

A recent court case stated that the CPUC did not have regulatory jurisdiction over railroad operating practices. Therefore, in order to affect these practices, applications must be made to the Federal Railroad Administration which has regulatory jurisdiction over the operations of heavy freight and passenger railroads.

**Previous Subcommittee Direction.** At the April 18 meeting of the Subcommittee, the Commission was directed to provide information on how it plans to fund activities to implement the strategic plan recently completed by the commission.

**Staff Recommendation.** Staff recommends that the Subcommittee restore 13 positions (reduced as part of the 4.10 reductions) at a cost of \$1.2 million from the Transportation Rate Fund.

## 3. Technical Adjustments

**May Revision.** The May Revision proposes the following technical adjustments to the CPUC's budget:

- Increase the Transportation Rate Fund by \$6,000 and decrease reimbursements by \$5,000, increase the PUC Transportation Reimbursement Account by \$22,000 and decrease reimbursements by \$21,000, increase the PUC Utilities Reimbursement Account by \$185,000 and decrease reimbursements by \$170,000 for lease revenue bond debt service adjustments.
- Decrease the Transportation Rate Fund by \$1,000 and increase reimbursements by \$1,000, decrease the PUC Transportation Reimbursement Account by \$4,000 and increase reimbursements by \$4,000, decrease the PUC Utilities Reimbursement Account by \$28,000 and increase reimbursements by \$28,000 to offset lease rental debt payments.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the technical budget adjustments.



## SUBCOMMITTEE NO. 2

## Agenda

Sheila Kuehl, Chair  
Bob Dutton  
Alan Lowenthal



Wednesday, May 18, 2005  
9:00 a.m.  
Room 2040

### Agenda (Part 2 of 2)

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### Resources—Environmental Protection—Energy

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## CALFED Program

**Previous Subcommittee Action.** At the May 9 hearing of the Subcommittee, action was taken to approve a revised budget for the CALFED program. Some items were left open pending additional information from the administration.

In addition to adopting a revised funding plan, the Subcommittee took the following actions:

- Adopted supplemental report language to require that the administration submit a zero-based budget for the CALFED program for the 2006-07 budget year.
- Trailer bill language to require the administration to provide additional information on the state operations bond funds included in the base budget and budget change proposals for all local assistance and capital outlay expenditures supported by bond funds.

**May Revision.** The May Revision proposal does not include new water user fees or other mechanisms to implement the beneficiary-pays principle for the CALFED program. The Governor's proposal includes a three-point plan to address the CALFED program in the future.

- **Independent Review.** The plan includes providing \$300,000 to the Resources Agency to manage a contract to support an independent program and fiscal review of the CALFED program.
- **Program Priorities.** The plan includes re-focusing the CALFED program to solve conflicts with Delta water supply, water quality, levee stability and the environment.
- **Financing.** The plan includes the development of a new ten-year action plan, to be developed in coordination with stakeholders and federal partners. The new action plan will focus on solving the highest priority Delta issues and include funding from the state, federal and local levels consistent with the beneficiary-pays principle. For the budget year, the May Revision proposes to increase reimbursement authority for the Department of Fish and Game by \$30 million to accommodate user contributions which may be necessary. The administration also pledges to request an additional \$40 million in federal funds from the 2006 federal budget for the CALFED program.

## Funding Summary

**Senate CALFED Budget Summary.** The following chart summarizes the staff recommendations for the Senate's alternative CALFED budget for 2005-06. The budget was constructed using the following general principles, consistent with the May 9 action of the Subcommittee:

- Expenditures of local assistance and grant funds are generally proposed to be delayed.
- Activities and projects that have not been started, to date, are proposed to be delayed.
- Activities that existed prior to the existence of the CALFED program are proposed to be retained.

<b>Department (\$ in thousands)</b>	<b>Governor's Budget*</b>	<b>Senate's Budget - May 9 Version**</b>	<b>Senate's Budget - May 17 Version</b>	<b>May 17 Version less Governor's Budget</b>
Conservation	\$3,330	\$330	\$3,330	\$0
Forestry and Fire Protection	154	154	154	0
Fish and Game	3,610	3,209	3,610	0
Bay Conservation & Development Commission	88	0	88	0
Water Resources	206,295	72,692	130,573	-75,722
Bay-Delta Authority	19,673	33,839	19,673	0
Water Resources Control Board	8,459	1,902	1,902	-6,557
<b>Total</b>	<b>\$241,609</b>	<b>\$112,126</b>	<b>\$159,330</b>	<b>-\$82,279</b>

\* The Governor's budget totals have been revised since the May 9 hearing based on updated information from the administration.

\*\* The May 9 version of the Senate's budget contains errors that have been revised in the May 17 version. The May 17 version also includes amendments to the May 9 action. Those changes are denoted by "Y" throughout the agenda.

## 0540 Secretary for Resources

**May Revision.** The May Revision includes an increase of \$300,000 in one-time funding from Proposition 50 bond funds for an independent programmatic and fiscal review of the CALFED program to ensure accountability, highlight accomplishments, determine program status, and provide guidance to the Program. This contract would be managed by the Resources Secretary.

**Staff Comments.** Staff finds that a review of the CALFED program would be a meaningful exercise and is consistent with the action taken by the Subcommittee on May 9 to request that the administration submit a zero-base budget for the 2006-07 budget. Staff is concerned about the timing of this contract if the information from this review is to be incorporated into the 2006-07 budget.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt the May Revision proposal to provide \$300,000 for a review of the CALFED program.

### 3480 Department of Conservation

**Staff Recommendation.** Staff recommends that the Subcommittee approve the following revised CALFED budget for DOC. Activities recommended for approval by the Subcommittee that are different from actions taken on May 9 are marked with a “Y”.

<b>Activity (\$ in thousands)</b>	<b>Amount</b>	<b>Fund Source</b>	<b>Positions</b>	<b>Approve</b>
<b>BASE BUDGET</b>				
<b>Oversight and Coordination</b>	\$96	Soil Conservation Fund	1.0	X
<b>Watershed Program</b>				
- Watershed Coordinator Grants	3,000	Prop 50	0.0	Y
- Watershed Program Technical Staff Support	234	Prop 50	2.0	X
<b>Total Governor's Budget</b>	<b>\$3,330</b>		<b>3.0</b>	
<b>Total Senate Budget</b>	<b>\$3,330</b>		<b>3.0</b>	

### 3540 Department of Forestry and Fire Protection

**Staff Recommendation.** No recommended changes to the Subcommittee's May 9 action.

<b>Activity (\$ in thousands)</b>	<b>Amount</b>	<b>Fund Source</b>	<b>Positions</b>	<b>Approve</b>
<b>BASE BUDGET</b>				
<b>Watershed Program</b>				
- Watershed Program Technical Information Support: Watershed Assessment Manual and Fire and Resource Assessment Program Watershed Resources	\$154	Prop 50	0.0	X
<b>Total Governor's Budget</b>	<b>\$154</b>		<b>0.0</b>	
<b>Total Senate Budget</b>	<b>\$154</b>		<b>0.0</b>	

**3600 Department of Fish and Game**

**Staff Recommendation.** Staff recommends that the Subcommittee approve the following revised CALFED budget for DFG. Activities recommended for approval by the Subcommittee that are different from actions taken on May 9 are marked with a “Y”.

Staff recommends that the Subcommittee reject the May Revision proposal to increase reimbursements by \$30 million for water user contributions in the budget year until the administration can provide further information on what the reimbursements would be used to fund in the budget year, including the consequences of not contributing this funding in the budget year.

Furthermore, staff recommends that the Subcommittee adopt trailer bill language that requires DFG to focus the ecosystem restoration program on restoration of native delta fisheries and anadromous fisheries. Specifically, the department should redirect funding from projects that primarily benefit terrestrials to focus more resources on native delta fisheries and anadromous fisheries.

Activity	Amount	Fund Source	Positions	Approve
<b>BASE BUDGET</b>				
<b>Oversight and Coordination</b>	\$166	General Fund	2.0	X
<b>Ecosystem Restoration Program</b>				
- Supports regional plan development, field studies, review of permits and environmental documentation, restoration projects.	\$4,350	Prop 50	23.0	Y
- Supports regional plan development, field studies, review of permits and environmental documentation, restoration projects.	\$628	General Fund	5.5	Y
<b>Conveyance Program</b>				
- Supports studies to define fish movement in the delta, assist in the development of technologies in water transfer and fish screening, examine sources of predation.	\$84	General Fund	1.0	Y
<b>Science Program</b>				
- Endangered Species Act compliance for the Interagency Ecological Program and the analysis and dissemination of other scientific data.	\$300	Prop 50	5.0	Y
- Endangered Species Act compliance for the Interagency Ecological Program and the analysis and dissemination of other scientific data.	\$228	Striped Bass Stamp	1.0	Y
<b>APRIL FINANCE LETTER</b>				
<b>Ecosystem Restoration Program</b>				
- Technical correction to eliminate one-time funding inadvertently left in the Governor's proposed budget.	-\$2,146	Prop 50	0.0	X

Activity	Amount	Fund Source	Positions	Approve
<b>Science Program</b>				
- Technical correction to eliminate (\$235,000) one-time funding inadvertently left in the Governor's proposed budget. (This item was already reflected in the budget crosscut so to avoid double counting is not being deducted.)		Prop 50	0.0	X
<b>MAY REVISION</b>				
<b>Ecosystem Restoration Program</b>				
- Contributions to ecosystem restoration projects from water users.	\$30,000	Reimburse-ments	0.0	
<b>Total Governor's Budget</b>	<b>\$33,610</b>		<b>37.5</b>	
<b>Total Senate Budget</b>	<b>\$3,610</b>		<b>37.5</b>	



## 3820 San Francisco Bay Conservation and Development Commission

**Staff Recommendation.** Staff recommends that the Subcommittee approve the following revised CALFED budget for BCDC. Activities recommended for approval by the Subcommittee that are different from actions taken on May 9 are marked with a “Y”.

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
<b>BASE BUDGET</b>				
Oversight and Coordination	\$88	General Fund	1.0	Y
<b>Total Governor's Budget</b>	<b>\$88</b>		<b>1.0</b>	
<b>Total Senate Budget</b>	<b>\$88</b>		<b>1.0</b>	

## 3860 Department of Water Resources

**Staff Recommendation.** Staff recommends that the Subcommittee approve the following revised CALFED budget for DWR. Activities recommended for approval by the Subcommittee that are different from actions taken on May 9 are marked with a “Y”.

Staff recommends that the Subcommittee approve budget bill language that requires an agreement that will engage local parties in the development of the Los Vaqueros surface storage project.

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
<b>BASE BUDGET</b>				
<b>Oversight and Coordination</b>				
- Supports review of CALFED-related encroachment permit applications submitted to the Reclamation Board.	\$263	General Fund	2.0	X
<b>Ecosystem Restoration Program</b>				
- Supports federal-state cost-share agreement between DWR, USBR, USFWS, and DFG for fishery restoration activities.	\$1,575	Prop 204	1.0	Y
- Supports studies and grants to address water quality problems causing low dissolved oxygen in the Stockton Deep Water Ship Channel and mercury issues. (These funds are not local assistance.)	\$10,016	Prop 13		
- Supports Fish Passage Improvement Program to do fish passage assessment.	\$1,155	Prop 50	5.6	Y
- Supports Aquatic Restoration Planning and Implementation Program to develop fish passage opportunities in the Yolo Bypass.	\$1,011	Prop 50	3.0	Y
- Supports activities to manage the Four Pumps Agreement to mitigate fish loss at the State Water Project's Delta Pumping Plant.	\$4,385	State Water Project Funds	3.0	X

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
<b>Environmental Water Account</b>				
- Environmental Water Account asset purchases.	\$17,548	Prop 50	0.0	Approve \$8.8 million
- Environmental Water Account purchases state support.	\$550	Prop 50	5.0	Approve \$225,000
<b>Water Use Efficiency</b>				
- Supports the California Irrigation Management Information System and provides technical assistance and outreach for water conservation activities.	\$1,135	General Fund	6.0	X
- Supports administration of Chapter 7 Water Use Efficiency grant program and Chapter 6 Desalination Grant Program.	\$1,113	Prop 50	5.0	X
- Supports technical assistance and review of agricultural water management plans, urban water management plans, and development of new water conservation technologies.	\$1,792	Energy Resources Program Account	10.0	Y
- Loans for agricultural water conservation and agricultural water use efficiency programs.	\$8,436	Prop 13	0.0	
<b>Water Transfers</b>				
- Supports maintenance of the CALFED Water Transfer Clearinghouse and On Tap water transfer database. Also supports coordination with CALFED EWA, Sacramento Valley Water Management Program, and CALFED ERP.	\$460	General Fund	1.5	
<b>Watershed Management</b>				
- Supports administration of Watershed grant program.	\$254	Prop 50	2.0	X

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
<b>Drinking Water Quality</b>				
- Supports modeling ways of improving water quality in the Delta.	\$79	General Fund	0.0	X
- Supports data analysis and Delta computer modeling support for the CALFED drinking water quality program. The current focus is on improving water quality modeling of the upper San Joaquin River.	\$164	Prop 50	1.0	X
- Supports contracts with the Contra Costa Water District for the Old River-Byron Tract and Rock Slough-Veale Trace Water Quality improvement project and with USGS for the Low Intensity Chemical Dosing study project.	\$2,022	Prop 13	0.0	
<b>Levees</b>				
- Supports staff to implement the Delta Levees Special Projects Program, Delta Levee Maintenance Subvention Program, Emergency Response, Risk Management, and Subsidence Research.	\$1,960	Prop 50	13.0	X
- Supports staff to implement the Delta Levees Special Projects Program, Delta Levee Maintenance Subvention Program, Emergency Response, Risk Management, and Subsidence Research.	\$373	State Water Project Funds	2.0	X
- Supports local assistance for the Delta Levee Maintenance Subventions Program.	\$16,817	Prop 50	0.0	X
<b>Storage Program</b>				
- Supports funding for grants for the Local Groundwater Assistance grant program.	\$6,400	Prop 50	0.0	
<b>Water Supply Reliability</b>				
- Supports technical support in regional planning and acts as project managers on 22 MOU partnerships throughout the state.	\$1,868	Prop 50	14.0	Y

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
<b>Conveyance Program</b>				
- Supports North Delta Flood Control and Ecosystem Restoration Project.	\$465	General Fund	3.0	Y
- Supports construction of four permanent operable barriers and removal of four temporary rock barriers in the South Delta. Supports evaluation of fish screen intake alternatives, Delta Cross Channel re-operations, and Through-Delta Facility alternatives.	\$14,413	State Water Project Funds	30.0	X
<b>Science Program</b>				
- Supports monitoring and special studies of the water quality and ecology of the San Francisco estuary. Also supports contracts with DFG, USFWS, USGS, and various universities and laboratories.	\$6,201	State Water Project Funds	14.0	X
<b>BUDGET CHANGE PROPOSALS</b>				
<b>Water Use Efficiency Program</b>				
- Funds Chapter 7 water use efficiency grants.	\$30,136	Prop 50	0.0	
- Supports science and monitoring of existing water use efficiency projects to support awarding future grants.	\$1,802	Prop 50	0.0	X
- Supports contracts that would provide technical assistance to local entities for special water use efficiency projects.	\$2,034	Prop 50	0.0	
- Supports grants for desalination project feasibility studies and construction. (This BCP was not included in the May 9 version, but has been included to be consistent with what CALFED is counting towards its program.)	\$21,290	Prop 50	0.0	Y

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
<b>Storage Program</b>				
- Supports evaluation of the feasibility of north of delta storage (Sites reservoir).	3,300	Prop 50	37.0	X
- Supports the federal government's efforts to evaluate the possibility of enlarging Shasta Lake.	100	Prop 50	0.0	
- Supports continued evaluation of the feasibility of in-Delta storage.	2,000	Prop 50	0.0	
- Supports a contract with Contra Costa Water District and state staff to evaluate the feasibility of enlarging Los Vaqueros reservoir.	3,200	Prop 50	0.0	Y, with budget bill language
- Supports evaluation of additional upper San Joaquin River Storage.	1,000	Prop 50	0.0	X
- Supports evaluation of common assumptions to help in the evaluation of each of the storage proposals and to make comparisons among them.	1,000	Prop 50	0.0	X
<b>Water Supply Reliability</b>				
- Supports contracts for projects that increase water supply reliability through the planned, coordinated management and use of groundwater and surface water resources.	7,000	Prop 50	0.0	Y, only for ongoing projects

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
<b>Conveyance Program</b>				
- Supports the South Delta Hydrodynamic Investigation to continue the second phase of the investigations and to improve understanding of the hydrodynamics of the central and south Delta regions.	1,000	Prop 13	1.3	X
- Supports the evaluation of fish facility improvement alternatives (fish screens) related to the South Delta Fish Facility Improvements program.	800	Prop 13	4.6	
- Supports fish collection, handling, transportation, and release study as part of the Tracy Fish Test Facility Project.	712	Prop 13	3.7	
- Supports design and construction costs for the South Delta Improvements Program permanent operable barriers.	26,600	Prop 13	0.0	Y, Only for final design work
<b>Watershed Program</b>				
- Supports staff and contracts to provide technical assistance and coordination of the state's Watershed program.	857	Prop 50	5.0	
<b>APRIL FINANCE LETTER</b>				
<b>Conveyance Program</b>				
- Supports the development of the Frank's tract project.	2,700	Prop 50	3.0	
- Supports the development of the Frank's tract project.	309	State Water Project Funds	0.0	X

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
<b>Watershed Program</b>				
- Reappropriation of \$830,000 in Proposition 50 bond funds that were not expended in the current year due to position vacancies to continue technical assistance related to the Watershed grant program.		Prop 50		X
- Reverts \$3 million Proposition 50 bond funds that have been shifted to the Department of Conservation and were inadvertently left in the Governor's proposed budget.		Prop 50		X
<b>Ecosystem Restoration Program</b>				
- Reappropriation of \$500,000 in Proposition 50 bond funds that were not expended due to position vacancies to continue work on the Calaveras River instream structure and fish passage study.		Prop 50		X
<b>Storage Program</b>				
- Technical correction to eliminate one-time funding (-\$18,996) inadvertently left in the Governor's proposed budget. This error was already reflected in CALFED's numbers so is removed from total for consistency.		Prop 50	0.0	X



Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
<b>MAY REVISION</b>				
<b>Science Program</b>				
- Reappropriation of \$2 million to fund science to support conveyance projects.		Prop 13	0.0	Y
<b>Conveyance Program</b>				
- Reappropriation of \$8.8 million to fund technical feasibility studies of the Delta Cross Channel Reoperation, Through Delta Facility, and Franks Tract Projects.		Prop 13	0.0	Y
- Reappropriation of \$1.6 million to continue studies of the Clifton Court Forebay Fish Screen project.		Prop 13	0.0	Y
<b>Ecosystem Restoration Program</b>				
- Reappropriation of \$10 million to fund the low dissolved oxygen problems in the Stockton Deep Water Ship Channel, the abandoned mines project, and to fund grants in the San Joaquin River.		Prop 13	0.0	Y
<b>Environmental Water Account</b>				
- Reappropriation of \$6.3 million to fund the tier 3 portion of the environmental water account.		Prop 13	0.0	Y
<b>Total Governor's Budget</b>	<b>\$206,295</b>		<b>175.7</b>	
<b>Total Senate Budget</b>	<b>\$130,573</b>		<b>157.9</b>	

Staff also recommends that the Subcommittee approve the extension of the liquidation period for the following CALFED Conveyance project that was proposed in the May Revision.

- **Bay-Delta Multipurpose Water Management Subaccount.** The May Revision proposes to extend the liquidation period for \$124,406 in Proposition 13 bond funds from 2002-03 to complete studies on the Delta Cross Channel Re-operation, Through Delta Facility, and Clifton Court Forebay Fish Screen projects for the CALFED Conveyance Program.

Staff recommends that the Subcommittee approve the reversions proposed in the May Revision related to the CALFED program. The administration indicates that these funds were not expended because projects cost less than projected or the funds were determined to no longer be needed for the projects for which they were originally appropriated. The reversion of these funds makes them available for new projects in the future. The reversions proposed for approval include the following:

<b>Program/Account</b>	<b>Amount</b>	<b>Fund Source</b>	<b>Year Appropriated</b>
Bay-Delta Multipurpose Water Management Subaccount	2,775	Prop 13	2001-02
Bay-Delta Multipurpose Water Management Subaccount	11,722	Prop 13	2001-02
Bay-Delta Multipurpose Water Management Subaccount	4,047	Prop 13	2002-03
<b>Total Bay-Delta Multipurpose Water Management</b>	<b>\$18,544</b>		

<b>Program/Account</b>	<b>Amount</b>	<b>Fund Source</b>	<b>Year Appropriated</b>
CALFED Storage Program	12,896	Prop 50	2004-05
<b>Total CALFED Storage Program</b>	<b>\$12,896</b>		

Staff recommends that the Subcommittee re-open the Sacramento Valley Water Management program that was approved at the April 25 meeting of the Subcommittee. Staff recommends that the Subcommittee delete the \$8.5 million in Proposition 204 bond funds proposed for this program, thereby deferring this program while long-term financing of the CALFED program is being evaluated.

**3870 California Bay-Delta Authority**

**Staff Recommendation.** Staff recommends that the Subcommittee approve the following revised CALFED budget for BDA. Activities recommended for approval by the Subcommittee that are different from actions taken on May 9 are marked with a “Y”. The Governor’s budget numbers have been substantially revised by BDA to reflect actual expenditures proposed in the budget. The figures included for the Governor’s budget on the May 9 agenda were incorrect.

Consistent with the recommendation under the Department of Fish and Game, staff recommends that the Subcommittee adopt trailer bill language that requires BDA to focus the ecosystem restoration program on restoration of native delta fisheries and anadromous fisheries. Specifically, the department should redirect funding from projects that primarily benefit terrestrials to focus more resources on native delta fisheries and anadromous fisheries.

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
<b>BASE BUDGET</b>				
<b>Oversight and Coordination</b>				
- Supports Bay-Delta Advisory Committee, environmental justice, tribal relations, public outreach, delta improvements package, regional coordination, performance measure development, long-term finance plan development, and other administrative functions. (Amount has been adjusted to reflect actual budgeted amounts per BDA.)	\$6,880	General Fund	43.0	X
<b>Ecosystem Restoration Program</b>				
- Supports monitoring of ecosystem restoration projects. (Amount has been adjusted to reflect actual budgeted amounts per BDA.)	\$246	General Fund	2.0	Y
- Supports contracts for work on various 415 ecosystem restoration projects. (Amount has been adjusted to reflect actual budgeted amounts per BDA.)	\$1,521	Prop 50	0.0	Y
- Supports staff to monitor and manage the work being done on the ecosystem restoration program contracts.	\$523	Prop 50	5.0	X
<b>Conveyance Program</b>				
<b>Drinking Water Quality Program</b>				
<b>Environmental Water Account</b>				
<b>Levee Program</b>				
<b>Storage Program</b>				
<b>Watershed Program</b>				
<b>Water Use Efficiency Program</b>				
- Supports staff and contracts to monitor projects in all of the programs listed above. (Amounts have been adjusted to reflect actual budgeted amounts per BDA.)	\$1,393	General Fund	6.0	X
- Supports recipient agreements to implement and monitor the Proposal and Solicitation Process for various projects in the programs listed above. (Amounts have been adjusted to reflect actual budgeted amounts per BDA.)	\$838	Prop 50	1.0	Y

<b>Activity (\$ in thousands)</b>	<b>Amount</b>	<b>Fund Source</b>	<b>Positions</b>	<b>Approve</b>
<b>Science Program</b>				
- Supports contracts and positions to support the independent science board and technical panels. (Amounts have been adjusted to reflect actual budgeted amounts per BDA.)	\$2,945	Prop 50	3.0	Y
- Supports contracts to support the independent science board and technical panels. (Amounts have been adjusted to reflect actual budgeted amounts per BDA.)	\$3	General Fund	0.0	Y
<b>BUDGET CHANGE PROPOSALS</b>				
<b>Ecosystem Restoration Program</b>				
- Supports various ecosystem restoration projects. These funds were appropriated in 2002-03, but because of delays and cancellations these funds were not expended.	\$5,074	Prop 204	0.0	Y
<b>Conveyance Program</b>				
- Supports scientific monitoring of the Delta Cross Channel, Through-Delta Facility, Frank's Tract, South Delta Hydrodynamic and Tracy Test Facility investigations.	250	Prop 50	0.0	X
<b>APRIL FINANCE LETTER</b>				
<b>Ecosystem Restoration Program</b>				
- Reappropriation of \$54.7 million in Proposition 50 bond funds to support contracts and grants for ecosystem restoration projects, including the Battlecreek Watershed.				X
<b>MAY REVISION</b>				
<b>Science Program</b>				
- Establish 7 limited-term positions to be funded with existing appropriation authority. These positions would replace the use of contractors.			7.0	
<b>Total Governor's Budget</b>	<b>\$19,673</b>		<b>67.0</b>	
<b>Total Senate Budget</b>	<b>\$19,673</b>		<b>67.0</b>	

## **3940      State Water Resources Control Board**

**Staff Recommendation.** Staff recommends that the Subcommittee approve the following revised CALFED budget for SWRCB.

Staff recommends that the Subcommittee redirect the 1.5 positions and \$144,000 from the water rights fund proposed for elimination to other water rights activities at the board.

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
<b>BASE BUDGET</b>				
<b>Watershed Program</b>				
- Supports management of grants awarded by the board in past grant cycles.	\$299	Prop 50	3.0	X
- Supports monitoring of project progress on grants awarded by the board in past grant cycles.	\$82	Prop 13	0.8	X
<b>Water Use Efficiency Program</b>				
- Supports management of water recycling grants awarded by the board in past grant cycles.	\$888	Prop 50	9.1	X
- Supports management of water recycling grants awarded by the board in past grant cycles and the review and awarding of new grants. Also includes technical outreach and assistance to disadvantaged communities.	\$421	Prop 13	4.2	X
- Funds for water recycling grants.	\$6,413	Prop 13	0.0	
<b>Drinking Water Quality Program</b>				
- Supports management of grants awarded by the board in past grant cycles.	\$130	Prop 50	1.3	X
- Supports management of grants awarded by the board in past grant cycles.	\$82	Prop 13	0.8	X
<b>Water Transfers</b>				
- Supports water transfer activities. (This item was inadvertently excluded from the May 9 agenda.)	\$144	Water Rights Fund	1.5	
<b>Total Governor's Budget</b>	<b>\$8,459</b>		<b>20.7</b>	
<b>Total Senate Budget</b>	<b>\$1,902</b>		<b>19.2</b>	